

AB BUILDERS GROUP LIMITED 奧邦建築集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1615



GLOBAL
OFFERING

Sole Sponsor



Joint Global Coordinators



IMPORTANT

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

AB BUILDERS GROUP LIMITED

奧邦建築集團有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 150,000,000 Shares (subject to the Over-allotment Option)
Number of International Placing Shares	: 135,000,000 Shares (subject to reallocation and the Over-allotment Option)
Number of Hong Kong Offer Shares	: 15,000,000 Shares (subject to reallocation)
Offer Price	: Not more than HK\$0.78 per Offer Share and expected to be not less than HK\$0.52 per Offer Share plus brokerage fee of 1%, SFC transaction levy of 0.0027%, and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.01 each
Stock code	: 1615

Sole Sponsor



Joint Global Coordinators



Joint Bookrunners



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

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

Please see the section headed "Risk Factors" for a discussion of certain risks that you should consider before investing in our Shares.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and our Company on or about Friday, 31 August 2018 and, in any event, not later than Monday, 3 September 2018. The Offer Price will be not more than HK\$0.78 per Offer Share and is currently expected to be not less than HK\$0.52 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK\$0.78 per Offer Share, together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is less than HK\$0.78 per Offer Share.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters), with the consent of our Company, may reduce the indicative Offer Price range stated in this prospectus and/or reduce the number of Offer Shares being offered pursuant to the Global Offering at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the Stock Exchange's website at www.hkexnews.hk and our company's website at www.abbuildersgroup.com not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Further details are set out in the sections headed "Structure and conditions of the Global Offering" and "How to apply for the Hong Kong Offer Shares" in this prospectus. If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on themselves of the Underwriters) on or before Monday, 3 September 2018 (Hong Kong time), the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse. The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure applicants for the subscription of, the Hong Kong Offer Shares are subject to termination by the Joint Global Coordinators if certain grounds arise prior to 8:00 a.m. on the Listing Date. Please also see the section headed "Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination" in this prospectus.

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

27 August 2018

EXPECTED TIMETABLE⁽¹⁾

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

Latest time to complete electronic applications under the **eWhite Form** service through the designated website at www.ewhiteform.com.hk ⁽²⁾ 11:30 a.m. on Thursday, 30 August 2018

Application lists open⁽³⁾ 11:45 a.m. on Thursday, 30 August 2018

Latest time to lodge **WHITE** and **YELLOW** Application Forms and to give **electronic application instructions** to HKSCC⁽⁴⁾ 12:00 noon on Thursday, 30 August 2018

Latest time to complete payment of **eWhite Form** applications by effecting PPS payment transfer(s)⁽²⁾ 12:00 noon on Thursday, 30 August 2018

Application lists close⁽³⁾ 12:00 noon on Thursday, 30 August 2018

Expected Price Determination Date⁽⁵⁾ Friday, 31 August 2018

Announcement of the final Offer Price, the indication of level of interest in the International Placing, the results of applications in the Hong Kong Public Offering and the basis of allocation under the Hong Kong Public Offering to be published (i) on the website of our Company at www.abbuildersgroup.com⁽⁷⁾; and (ii) on the website of the Stock Exchange at www.hkexnews.hk⁽⁶⁾ and ⁽⁷⁾ on or before. Friday, 7 September 2018

Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including on the website of our Company at www.abbuildersgroup.com⁽⁷⁾ and Stock Exchange at www.hkexnews.hk⁽⁶⁾ and ⁽⁷⁾ as described in the section headed "How to apply for the Hong Kong Offer Shares — 11. Publication of results" from Friday, 7 September 2018

EXPECTED TIMETABLE⁽¹⁾

Results of allocations in the Hong Kong Public

Offering will be available at

www.ewhiteform.com.hk/results with a “search

by ID” function on Friday, 7 September 2018

Despatch / **Collection** of share certificates of the

Offer Shares or deposit of share certificates of the

Offer Shares into CCASS in respect of wholly or partially successful applications pursuant to the

Hong Kong Public Offering on or before⁽⁸⁾ Friday, 7 September 2018

Despatch / **Collection** of e-Refund payment

instructions/refund cheques in respect of wholly successful (in the event that the final Offer Price is less than initial price per Hong Kong Offer

Share payable on application) and wholly or partially unsuccessful applications pursuant to the

Hong Kong Public Offering on or before⁽⁹⁾ Friday, 7 September 2018

Dealing in the Shares on the Stock Exchange

expected to commence at 9:00 a.m. on Monday, 10 September 2018

Notes:

1. All times and dates refer to Hong Kong local times and dates except as otherwise stated. Details of the structure of the Global Offering, including the conditions of the Hong Kong Public Offering, are set out in the section headed “Structure and conditions of the Global Offering” in this prospectus.
2. You will not be permitted to submit your application to the **eWhite Form** Service Provider through the designated website at **www.ewhiteform.com.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m. you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, 30 August 2018, the application lists will not open and close on that day. Please refer to the section headed “How to apply for the Hong Kong Offer Shares — 10. Effect of bad weather on the opening of the application lists” in this prospectus. If the application lists do not open and close on Thursday, 30 August 2018, the dates mentioned in this section may be affected. A press announcement will be made by us in such event.
4. Applicants who apply by giving electronic application instructions to HKSCC should refer to the section headed “How to apply for the Hong Kong Offer Shares — 6. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date, being the date on which the final Offer Price is to be determined, is expected to be on or around Friday, 31 August 2018 and in any event, not later than Monday, 3 September 2018. If, for any reason, the final Offer Price is not agreed by 6:00 p.m. on Monday, 3 September 2018 between the Joint Global Coordinators (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

EXPECTED TIMETABLE⁽¹⁾

6. The announcement will be available for viewing on the “Main Board — Allotment of Results” page on the website of the Stock Exchange at www.hkexnews.hk.
7. None of the information contained on any website forms part of this prospectus.
8. Applicants who apply for 1,000,000 Hong Kong Offer Shares or more may collect share certificates (if applicable) and refund cheques (if applicable) in person may do so from our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 7 September 2018 or any other date as notified by us as the date of despatch of share certificates/e- Refund payment instructions/refund cheques. Applicants being individuals who is eligible for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who is eligible for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his/her/its corporation stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar. Applicants who have applied on **YELLOW** Application Forms may not elect to collect their share certificates, which will be deposited into CCASS for credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected share certificates and refund cheques will be despatched by ordinary post to the addresses specified in the relevant applications at the applicants’ own risk. Further information is set out in the section headed “How to apply for the Hong Kong Offer Shares” in this prospectus.
9. e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful application and also in respect of successful applications in the event that the final Offer Price is less than the initial price per Hong Kong Offer Share payable on application. Part of your Hong Kong identity card number/passport number or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in the section headed “How to apply for the Hong Kong Offer Shares” in this prospectus.

Share certificates are expected to be issued on Friday, 7 September 2018 but will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

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

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SUMMARY

This summary aims at giving 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 the whole prospectus before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors”. You should read that section carefully before you decide to invest in the Offer Shares. Unless otherwise specified, translations of HK\$ into MOP in this document are based on the exchange rate HK\$1.00:MOP1.0315.

OVERVIEW

We are an established construction contractor with over 20 years of operation in Macau. During the Track Record Period, our Group focused on providing structural works and fitting-out works services. According to the Frost & Sullivan Report, in 2017, our Group had a market share of approximately 2.1% in the overall fitting-out works market and ranked fourth in the commercial fitting-out works market in terms of revenue, and we also had a market share of approximately 0.1% and 0.01% in superstructure works market and substructure works market in Macau, respectively, in terms of revenue.

Our Group’s history can be traced back to July 1998 when our operating subsidiary, SFS Construction Macau, was incorporated in Macau. Over the years, we have completed numerous landmark construction projects for hotels and casinos, department store, residential buildings and commercial buildings in Macau. Please refer to the section headed “History and Corporate Structure — Key business milestones” in this prospectus for the information of our projects before and throughout the Track Record Period and the section headed “Business — Our projects” for further details of our completed and on-going projects during the Track Record Period. Our Directors believe that, having considered our track record on both structural works and fitting-out works, our Group can compete for projects and maintain a sustainable development of our business.

During Track Record Period, all of our Group’s revenue was derived from the private sector in Macau, which mainly comprised structural works and fitting-out works related to hotel and casino projects. For the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, our Group’s total revenue amounted to approximately MOP524.7 million, MOP399.1 million, MOP371.3 million, MOP185.2 million and MOP96.1 million, respectively. Below table sets out the breakdown of our Group’s revenue by types of construction works during the Track Record Period:

	2014		Year ended 31 December				2017		Five months ended 31 May			
	MOP'000	%	2015	2016	2017	2018	MOP'000	%	MOP'000	%	(unaudited)	
Types of construction works:												
Structural works (Note)	439,477	83.8	199,878	50.1	131,592	35.4	21,402	11.6	—	—	22,028	22.9
Fitting-out works	85,252	16.2	199,201	49.9	239,663	64.6	163,799	88.4	72,075	100.0	74,090	77.1
Total:	<u>524,729</u>	<u>100.0</u>	<u>399,079</u>	<u>100.0</u>	<u>371,255</u>	<u>100.0</u>	<u>185,201</u>	<u>100.0</u>	<u>72,075</u>	<u>100.0</u>	<u>96,118</u>	<u>100.0</u>

Note: During the Track Record Period, we had three substructure works projects with recognised revenue of approximately MOP28.1 million, MOP1.6 million, MOP1.9 million, MOP1.5 million and MOP10.1 million for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, and the remaining structural works were superstructure works.

Below table sets out the breakdown of our Group’s revenue by nature of building for our projects during the Track Record Period:

	2014		Year ended 31 December				2017		Five months ended 31 May			
	MOP'000	%	2015	2016	2017	2018	MOP'000	%	MOP'000	%	(unaudited)	
Nature of building:												
Commercial	524,729	100.0	348,513	87.3	363,312	97.9	179,398	96.9	72,075	100.0	77,062	80.2
Non-commercial	—	—	50,566	12.7	7,943	2.1	5,803	3.1	—	—	19,056	19.8
Total:	<u>524,729</u>	<u>100.0</u>	<u>399,079</u>	<u>100.0</u>	<u>371,255</u>	<u>100.0</u>	<u>185,201</u>	<u>100.0</u>	<u>72,075</u>	<u>100.0</u>	<u>96,118</u>	<u>100.0</u>

SUMMARY

OUR PROJECTS

Our Group mainly focuses on structural works and fitting-out works. In both structural works and fitting-out works projects, we may act as a main contractor which we are generally responsible for overall project management of construction works such as project design of construction works, management and supply of materials, labour, equipment and services for the projects, stability and safety of construction works, environmental impact of the construction works, and coordination of subcontractors to perform the construction works, or we may act as a subcontractor which we generally take a lesser role in project coordination and assume less responsibility, and usually deliver the works required under the subcontracting agreements.

The prices or contract sum of our construction works are determined on a project-by-project basis. Our Group generally estimates the gross profit margin of a project based on various factors, including the scope, complexity and specifications of the project, capacity, prevailing competitiveness and financial condition of our Group, the availability of manpower and expertise, the quotations from suppliers and subcontractors, materials price trend, wage trend, and previous tender records.

Below table sets forth the number of projects and the breakdown of our Group's revenue by projects undertaken as a main contractor and subcontractor during the Track Record Period:

	2014		Year ended 31 December				2017		Five months ended 31 May 2017		2018	
	No. of projects	Revenue MOP'000	No. of projects	Revenue MOP'000	No. of projects	Revenue MOP'000	No. of projects	Revenue MOP'000	No. of projects	Revenue MOP'000 (unaudited)	No. of projects	Revenue MOP'000
Main contractor												
Structural works	—	—	1	27,873	1	4,866	2	5,724	—	—	4	15,717
Fitting-out works (Note 1)	6	19,900	6	32,800	9	41,553	8	139,212	5	65,588	5	58,730
Subtotal	6	19,900	7	60,673	10	46,419	10	144,936	5	65,588	9	74,447
Subcontractor												
Structural works	5	439,477	5	172,005	3	126,726	3	15,678	—	—	2	6,311
Fitting-out works (Note 2)	10	65,352	9	166,401	3	198,110	4	24,587	1	6,487	4	15,360
Subtotal	15	504,829	14	338,406	6	324,836	7	40,265	1	6,487	6	21,671
Total:	21	524,729	21	399,079	16	371,255	17	185,201	6	72,075	15	96,118

Notes:

- For those fitting-out works projects which we were directly engaged by the property owners to execute the fitting-out works, we classified our capacity as a main contractor for these projects.
- For those fitting-out works projects which we were nominated by the property owners and entered into construction contracts with the main contractors to execute the fitting-out works, we classified our capacity as a subcontractor for these projects.

Below table sets out the number of our on-going construction projects during the Track Record Period and up to the Latest Practicable Date:

	2014		Year ended 31 December						From 1 January 2018 to 31 May 2018			From 1 June 2018 to the Latest Practicable Date		
	Fitting-out		2015		2016		2017		Fitting-out			Fitting-out		
	Structural works	out works	Structural works	out works	Structural works	out works	Structural works	out works	Structural works	out works	Total	Structural works	out works	Total
Projects brought forward from the last financial year/period	4	7	6	14	6	14	3	13	4	11	15	5	12	17
Add: new projects commenced in the financial year/period	2	12	1	3	—	6	3	4	3	4	7	1	1	2
Less: projects completed in the financial year/period	—	5	1	3	3	7	2	6	2	3	5	2	—	2
Projects in progress as at the end of the year/period	6	14	6	14	3	13	4	11	5	12	17	4	13	17

SUMMARY

Below table sets forth our projects in progress (either in progress or yet to commence) as at the Latest Practicable Date with awarded contract sum above MOP10.0 million:

No.	Description of project	Category	Project commencement date	Expected completion date ^(Note 1)	Awarded contract sum ^(Note 2)	Accumulated revenue recognised up to 31 May 2018	Expected	Expected
							revenue to be recognised in seven months ending 31 December 2018 ^(Note 3)	revenue to be recognised in year ending 31 December 2019 ^(Note 3)
					(MOP million)	(MOP million)	(MOP million)	(MOP million)
Structural works								
C4.	Residential development in Macau ^(Note 4)	Residential	September 2017	May 2019	49.9	4.3	24.3	21.3
C5.	Pedestrian bridge in Macau	Public	February 2018	August 2019	21.6	nil	14.6	7.0
Fitting-out works								
D1.	Guest rooms in a hotel in Cotai, Macau	Hotel and casino	April 2015	October 2018	231.9	234.5	nil	nil
D2.	Hotel tower in Cotai, Macau	Hotel and casino	October 2016	August 2018	126.9	130.4	6.0	nil
D3.	Basement in a hotel in Cotai, Macau	Hotel and casino	May 2013	August 2018	91.6	123.3	0.1	nil
D4.	Spa and gym located in a hotel in Cotai, Macau	Hotel and casino	October 2016	August 2018	51.6	39.4	4.4	nil
D7.	Residential property in Macau	Residential	November 2017	December 2018	31.6	9.0	22.6	nil
D8.	Clubhouse of a residential building in Macau	Residential	May 2018	February 2019	41.5	nil	37.4	4.1
D9.	Food and beverages area in a theme park in a hotel in Cotai, Macau	Hotel and casino	May 2018	March 2019	24.5	nil	14.7	9.8
D10.	Gaming room of a hotel in Macau	Hotel and casino	May 2018	October 2018	44.7	nil	41.1	nil
D11.	Nursery in Macau	Public	September 2018	January 2019	16.7	nil	13.4	3.3
Total for the projects with awarded contract sum over MOP10.0 million					732.5	540.9	178.6	45.5

Notes:

- The expected completion date represents our management's best estimate according to the expected completion dates specified in the relevant construction contracts (if any) or the work schedule agreed with our customers (if any) and the actual work scheduled up to the Latest Practicable Date or the expected date for issuing the payment certificate of final account.

SUMMARY

2. The awarded contract sum does not take into account any variation orders issued by our customers and is only based on the initial agreement entered into between our Group and our customers.
3. The expected revenue to be recognised in the seven months ending 31 December 2018 and the year ending 31 December 2019 is based on our management's best estimation mainly accounting to the awarded contract sum, confirmed variation order and accumulated revenue previously recognised.
4. Our Group was awarded with the construction contract for Project C4 in September 2017, with the majority of the works relating to structural works, and partially for fitting-out works.

Below table sets forth a breakdown of our gross profit and gross profit margin by types of construction works below during the Track Record Period:

	2014		Year ended 31 December 2015		2016		2017		Five months ended 31 May 2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000 (unaudited)	%	MOP'000	%
Types of construction works:												
Structural works	43,249	9.8	32,749	16.4	34,472	26.2	8,568	40.0	—	—	6,967	31.6
Fitting-out works	10,164	11.9	18,267	9.2	24,232	10.1	41,428	25.3	13,912	19.3	17,096	23.1
Total:	<u>53,413</u>	<u>10.2</u>	<u>51,016</u>	<u>12.8</u>	<u>58,704</u>	<u>15.8</u>	<u>49,996</u>	<u>27.0</u>	<u>13,912</u>	<u>19.3</u>	<u>24,063</u>	<u>25.0</u>

Our gross profit from fitting-out works increased by approximately MOP3.2 million or 23.0% from MOP13.9 million for the five months ended 31 May 2017 to approximately MOP17.1 million for the five months ended 31 May 2018. Our gross profit margin of fitting-out works for the five months ended 31 May 2017 and 2018 were approximately 19.3% and 23.1% respectively. The increase in gross profit margin of fitting-out works was mainly due to a prolonged claim approved by our customer from Project D1. Project D1 is one of our fitting-out projects with a large contract sum during the Track Record Period, which had been substantially completed in 2016. The costs associated with the prolonged claim, such as direct labour costs, had been incurred during the course of project execution and reflected in the financial statements during the years ended 31 December 2015 and 2016, and the revenue in relation to the prolonged claim was only recognised in 2018 after the completion of Project D1 taken place in 2016. Hence, the gross profit margin was increased in the five months ended 31 May 2018. For illustration purpose, the gross profit margin for the fitting-out works for the five months ended 31 May 2018 after excluding the gross profit contributed by Project D1 was approximately 15.5%.

For further details of our projects, please refer to the section headed "Business — Our projects" in this prospectus.

CUSTOMERS

During the Track Record Period, our customers mainly include hotel and casino owners, property developer and main contractors of construction projects in Macau. We generally obtain the construction contracts by participating in the tender process, through either an invitation to private tender by our customers or a public tender by the Macau Government. In general, we do not have a target revenue mix and it is our strategy to tender projects in various sizes in both structural and fitting-out works according to the industry trend. We had submitted 72, 33, 40, 45 and 28 tenders for construction projects during the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, respectively, and out of which 12, 2, 7, 6 and 7, respectively, were successful tenders. Our overall success rates for tenders were approximately 16.7%, 6.1%, 17.5%, 13.3% and 25.0%, respectively. During the Track Record Period, our success rate for tenders for structural works projects were approximately 27.3%, nil, 25.0%, 23.1% and 22.2%, and for fitting-out works projects were approximately 14.8%, 7.7%, 16.7%, 9.4% and 26.3%, respectively. During the Track Record Period, we recorded a relatively low tender success rate as it was our Group's strategy to be responsive to customers' tender invitations and submit tenders to existing customers in order to (i) maintain business relationship with existing customers, (ii) maintain our presence in the market, and (iii) be informed of the latest market development and pricing trends for tendering projects in the future. During the Track Record Period, the percentage of revenue contributed by our five largest

SUMMARY

customers amounted to approximately 99.4%, 91.3%, 96.5%, 92.6% and 91.5%, respectively, while the percentage of revenue contributed by our largest customer amounted to approximately 74.7%, 34.6%, 51.1%, 68.4% and 57.3%, respectively. For further details, please refer to the section headed “Business — Customers” in this prospectus. During the Track Record Period, one of our five largest customers for the years ended 31 December 2015 and 2016, Fu Tat Lei, a property developer incorporated in Macau and is indirectly owned as to 50% equity interest by Red Development, which is indirectly and wholly owned by Mr. Lao and Mrs. Lao. Hence, Fu Tat Lei is considered as our connected person. Please refer to the section headed “Financial information — Related parties transactions — 1. Revenue received from Fu Tat Lei” in this prospectus for details. Save for Fu Tat Lei, to the best knowledge of our Directors, none of our Directors, their close associates or any Shareholders (who or which, to the best knowledge of our Directors owns more than 5% of the issued share capital of our Company) has any interest in any of our five largest customers during the Track Record Period.

During the Track Record Period, we had contra-charge arrangement with some of our customers which our Directors confirm such arrangement was conducted on normal commercial terms. For further details, please refer to the section headed “Business — Customers — Contra-charge arrangement with our customers” in this prospectus.

SUPPLIERS

The major materials used by our Group are mainly construction materials for our structural works projects or fitting-out works projects, which include round reinforcing steel bars, concrete, glass, cement, plywood, tiles, carpets, wallcovering, fabrics, marbles, sanitary-ware and ironmongery. Our Group generally sources construction materials from Macau, China, and Hong Kong. Unless the suppliers are nominated by our customers or through contra-charge arrangement, we purchase construction materials only from our pre-qualified list of suppliers through tenders. During the Track Record Period, the construction material costs we paid to our five largest suppliers were approximately MOP12.7 million, MOP8.5 million, MOP10.0 million, MOP6.8 million and MOP4.4 million, representing approximately 54.0%, 28.0%, 41.6%, 42.7% and 64.4% of our total construction material costs (without taking into account the contra-charge incurred), respectively, and the construction material costs for our largest supplier were approximately MOP6.5 million, MOP2.7 million, MOP2.9 million, MOP2.4 million and MOP1.4 million, representing approximately 27.5%, 8.9%, 11.9%, 15.4% and 20.7% of our total construction material costs (without taking into account the contra-charge incurred), respectively. For further details, please refer to the section headed “Business — Suppliers and subcontractors — Suppliers” in this prospectus.

SUBCONTRACTORS

Subcontracting enables us to reduce our Group’s management costs and improve quality of construction works. Before submission of tender to our customers, we generally obtain quotations from the subcontractors for the estimation of costs and confirm their availability of labour force and machinery required. Immediately after the award of contract by our customers, our Group normally invites tender from at least three potential subcontractors to undertake the works involved. During the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, subcontracting charges payable by us amounted to approximately MOP247.8 million, MOP206.6 million, MOP188.6 million, MOP80.2 million and MOP34.2 million, representing approximately 52.6%, 59.4%, 60.3%, 59.3% and 47.5% of our Group’s cost of sales, respectively. During the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, our Group’s five largest subcontractors accounted for approximately 47.7%, 34.1%, 44.7%, 46.8% and 50.9% of our subcontracting charges payable, respectively, and our Group’s largest subcontractors accounted for approximately 25.0%, 8.6%, 18.3%, 17.6% and 17.1% of our subcontracting charges payable, respectively. For further details, please refer to the section headed “Business — Suppliers and subcontractors — Subcontractors” in this prospectus.

CONTROLLING SHAREHOLDERS

Mr. Lao and his spouse, Mrs. Lao, will indirectly own approximately 52.5% and 22.5% of the issued share capital of our Company, respectively, immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised and without taking into account any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme. Accordingly, Mr. Lao and his wholly-owned company, Laos International, and Mrs. Lao and her wholly-owned company, WHM Holdings, are a group of controlling shareholders within the meaning of the Listing Rules. Mr. Lao and Mrs. Lao have confirmed that they do not have any direct

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or indirect interest in any business or companies, save as disclosed in the sections headed “Relationship with our Controlling Shareholders — Controlling Shareholders” and “Substantial Shareholders” in this prospectus, that engage in any business activities that compete or may compete with our business activities. For further details, please refer to the sections headed “Relationship with our Controlling Shareholders — Controlling Shareholders” and “Substantial Shareholders” in this prospectus.

COMPETITIVE STRENGTHS

Our Directors believe that our competitive strengths include: (i) we have established good reputation in provision of construction works services in Macau; (ii) we are capable to provide a wide range of construction services and to provide tailor-made construction methods to accommodate different customers’ requirements; (iii) we have solid relationships with major customers; (iv) we have strong and stable relationships with major construction materials suppliers and subcontractors; (v) we have stringent quality control; and (vi) we have a strong and experienced management team. For further details, please refer to the section headed “Business — Competitive strengths” in this prospectus.

BUSINESS STRATEGIES

Our principal business objective is to further strengthen our position and overall competitiveness of our construction business in Macau. Our Directors intend to pursue the following key strategies to achieve our Group’s future expansion plans: (i) to strengthen our financial position and solidify our competitiveness in the construction market in Macau; (ii) to expand and capture business opportunities through organic growth and selective acquisition opportunities within Macau; (iii) to expand our scale of operations through the acquisition of new machinery and equipment; (iv) to strengthen our manpower by hiring additional experienced personnel; and (v) to support the growth of our Group’s business and enhance our corporate image. For further details, please refer to the section headed “Business — Business strategies” in this prospectus.

RISK FACTORS

Our Directors believe that there are certain risks involved in our operations. Many of these risks are beyond our control and can be categorised into: (i) risks relating to our Group’s business; (ii) risks relating to our industry in Macau; and (iii) risks relating to the Global Offering.

We believe that the following are some of the major risks that may have a material adverse effect on us: (i) our revenue is derived from contracts awarded through competitive tendering and non-recurring and there is no guarantee that we will succeed in our tender process or our customers will award new contracts to us in the future; (ii) our historical performance may not be indicative of our performance in the future; (iii) our revenue was derived solely from the operations in Macau and we relied on the tourism and gaming industries, any downturn in the Macau market will affect our financial performance; (iv) we rely on key customers which accounted for over 90% of our total revenue each year; (v) we are required to provide the performance bonds under the construction contracts and to pay certain expenses at the initial stage of the projects, and therefore the cash flow of our Group may fluctuate from time to time; (vi) we rely on our subcontractors to complete certain projects and are subject to the risks of non-performance, late performance or poor performance of our subcontractors; and (vii) we rely on a stable supply of labour to carry out superstructure or structural works and fitting-out works and any changes in the labour supply may adversely affect our operation and financial performance.

The risks mentioned above are not the only significant risks that may affect our business and results of operations. As different investors may have different interpretations and standards for determining the materiality of a risk, you are cautioned that you should carefully read the entire section headed “Risk Factors” in this prospectus before you decide to invest in the Offer Shares.

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FINANCIAL INFORMATION

Selected information from consolidated statements of profit or loss and other comprehensive income

The following table sets forth our consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 which have been extracted from the Accountants' Report as set out in Appendix I to this prospectus:

	Year ended 31 December				Five months ended 31 May	
	2014	2015	2016	2017	2017	2018
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
					<i>(unaudited)</i>	
Revenue	524,729	399,079	371,255	185,201	72,075	96,118
Cost of sales	(471,316)	(348,063)	(312,551)	(135,205)	(58,163)	(72,055)
Gross profit	53,413	51,016	58,704	49,996	13,912	24,063
Profit before taxation	58,719	59,391	66,444	40,573	13,618	16,433
Profit for the year/period	53,850	53,886	60,266	35,801	12,383	14,424

Revenue

The revenue of our Group is derived mainly from provision of structural works and fitting-out works in Macau. Revenue from structural works took up about 83.8% of our total revenue for the year ended 31 December 2014. The revenue from structural works became less significant in the two years ended 31 December 2015 and 2016 as most of the structural works of the projects had reached their final stage and moved to the next phase of construction which is the fitting-out works. For the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, the revenue generated from structural works were approximately MOP439.5 million, MOP199.9 million, MOP131.6 million, MOP21.4 million and MOP22.0 million, representing approximately 83.8%, 50.1%, 35.4%, 11.6% and 22.9% of our total revenue, respectively. The revenue generated from fitting-out works for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 were approximately MOP85.2 million, MOP199.2 million, MOP239.7 million, MOP163.8 million and MOP74.1 million, representing approximately 16.2%, 49.9%, 64.6%, 88.4% and 77.1% of our total revenue, respectively.

We recorded a decrease in our total revenue during the Track Record Period. Our total revenue decreased by approximately MOP125.6 million, or 23.9%, from approximately MOP524.7 million for the year ended 31 December 2014 to approximately MOP399.1 million for the year ended 31 December 2015, which was mainly attributable to (i) a decrease in revenue from structural works as substantial work progress of the structural works projects was recognised during the year ended 31 December 2014; and (ii) most of our fitting-out works were at the beginning stage and not much revenue has been generated or recognised during the year ended 31 December 2015. Our revenue slightly decreased by approximately MOP27.8 million, or 7.0%, from approximately MOP399.1 million for the year ended 31 December 2015 to approximately MOP371.3 million for the year ended 31 December 2016, which was mainly attributable to (i) a decrease in revenue from structural works as substantial structural works has been carried out in previous years and we shifted our resources to focus on fitting-out works during the year ended 31 December 2016; and (ii) an increase in revenue from fitting-out works. Our revenue decreased by approximately MOP186.1 million or 50.1%, from approximately MOP371.3 million for the year ended 31 December 2016 to approximately MOP185.2 million for the year ended 31 December 2017, which was mainly attributable to (i) our revenue from structural works decreased by approximately MOP110.2 million or 83.7%, from approximately MOP131.6 million for the year ended 31 December 2016 to MOP21.4 million for the year ended 31 December 2017 as our revenue was mainly derived from Project A5 and the work done for the new structural projects such as Project C3 and Project C4 which were at the preparation stage, hence no significant revenue was generated during the year ended 31 December 2017; and (ii) our revenue from fitting-out works decreased by approximately MOP75.9 million or 31.7%, from approximately MOP239.7 million for the year ended 31 December 2016 to MOP163.8 million for the year ended 31 December 2017 as one fitting-out works project, namely Project D1, with large contract sum has been substantially completed and we recognised MOP189.6 million in 2016.

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Adjusted profit for the year/period under non-IFRS measure

During the Track Record Period, we had recognised imputed interest income on advances to a related company and a director under IFRS, but such imputed interest income is only an accounting income under IFRS and had not resulted in actual cash receipts during the Track Record Period. Also, the Listing expenses are non-recurring in nature. For illustration purpose, we have made adjustment to the profit for the year/period (the “Adjusted Profit For The Year/Period”), which is unaudited in nature, represents profit for the year/period from continuing operations excluding the effects of imputed interest income arising from amounts due from a related party and a director and the Listing expenses. The Adjusted Profit For The Year/Period is not a measure of performance under IFRS. As a non-IFRS measure, the Adjusted Profit For The Year/Period is presented because our management believes such information will be helpful for investors in assessing the level of our profit for the year/period by eliminating the effects of imputed interest income and Listing expenses which are one-off or non-recurring items. The use of the Adjusted Profit For The Year/Period has material limitations as an analytical tool, as it does not include all items that impact our profit for the relevant year/period. Below table reconciles the Adjusted Profit For The Year/Period presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit for the year/period from continuing operations:

	Year ended 31 December				Five months ended 31 May	
	2014 MOP'000	2015 MOP'000	2016 MOP'000	2017 MOP'000	2017 MOP'000 <i>(unaudited)</i>	2018 MOP'000
Profit for the year/period	53,850	53,886	60,266	35,801	12,383	14,424
Imputed interest income	(17,466)	(19,647)	(21,466)	(11,467)	(9,520)	—
Listing expenses	—	—	3,045	10,196	4,394	1,817
Adjusted Profit For The Year/Period	<u>36,384</u>	<u>34,239</u>	<u>41,845</u>	<u>34,530</u>	<u>7,257</u>	<u>16,241</u>

Selected information from consolidated statements of cash flows

Below table sets forth a summary of our Group’s consolidated statements of cash flow during the Track Record Period:

	Year ended 31 December				Five months ended 31 May	
	2014 MOP'000	2015 MOP'000	2016 MOP'000	2017 MOP'000	2017 MOP'000 <i>(unaudited)</i>	2018 MOP'000
Net cash from operating activities	88,112	19,814	59,003	26,193	47,787	3,051
Net cash (used in) from investing activities	(47,201)	1,592	(4,188)	3,881	391	91
Net cash (used in) from financing activities	(9,768)	(11,715)	8,204	(43,294)	(883)	(2,971)
Net increase (decrease) in cash and cash equivalents	31,143	9,691	63,019	(13,220)	47,295	171
Cash and cash equivalents at the beginning of the year/period	<u>(34,012)</u>	<u>(2,869)</u>	<u>6,822</u>	<u>69,841</u>	<u>69,841</u>	<u>56,621</u>
Cash and cash equivalents at the end of the year/period	<u>(2,869)</u>	<u>6,822</u>	<u>69,841</u>	<u>56,621</u>	<u>117,136</u>	<u>56,792</u>

Net cash from operating activities for the year ended 31 December 2014 was approximately MOP88.1 million, which was mainly attributable to the increase in trade and other payables of MOP61.4 million primarily due to the increase in progress payments in relation to the work done performed by our subcontractors. Net cash from operating activities for the year ended 31 December 2015 dropped significantly to approximately MOP19.8 million, which was mainly due to the increase in contract costs of approximately MOP36.3 million representing the increase in our costs incurred to fulfill the construction contract for provision of fitting-out works. Net cash from operating activities for the year ended 31 December 2016 increased to approximately MOP59.0 million, which, among others, was attributable to the decrease in contract costs of MOP36.3 million as it was recognised as costs in accordance with the fitting-out work performed. Net cash from operating activities for the

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year ended 31 December 2017 was dropped to approximately MOP26.2 million, which was attributable to the increase in listing expenses leading to the decrease in profit before taxation of approximately MOP40.6 million. Our net cash from operating activities for the five months ended 31 May 2018 decreased to approximately MOP3.1 million. Such decrease was mainly attributable to, among others, the increase in trade receivables of approximately MOP16.0 million and the decrease in trade payables of approximately MOP10.6 million.

Our net cash and cash equivalents as at 31 December 2014 recorded a negative balance of MOP2.9 million which was comprised of the bank balances and cash of approximately MOP39.3 million and bank overdrafts balance of approximately MOP42.2 million. The bank overdrafts were secured by the pledged bank deposits of approximately MOP48.0 million and carried interest at a fixed deposit rate plus 0.25% per annum. Our Directors believed that such arrangement was beneficial to our Group due to the lower interest rate on bank overdrafts rather than bank borrowings granted to our Group for the year ended 31 December 2014. The significant increase in our Group's cash and cash equivalents as at 31 December 2016 was due to an increase in cash received from one of our structural works projects namely Project A5, as well as an increase in our bank borrowings of approximately MOP10.3 million. For details of Project A5, please refer to the section headed "Business — Our projects" in this prospectus.

Please refer to the section headed "Financial Information — Liquidity and capital resources — Net current assets" for further details of the fluctuations of the net current assets of our Group during the Track Record Period.

Selected information from statements of financial position

As at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018, our Group's net current assets were approximately MOP42.7 million, MOP76.5 million, MOP329.4 million, MOP82.2 million and MOP97.2 million. The following table sets forth a breakdown of our current assets and liabilities as at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018:

	As at 31 December				At 31 May
	2014	2015	2016	2017	2018
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Current assets	<u>284,485</u>	<u>294,636</u>	<u>530,116</u>	<u>207,778</u>	<u>206,982</u>
Current liabilities	<u>241,770</u>	<u>218,149</u>	<u>200,688</u>	<u>125,561</u>	<u>109,757</u>
Net current assets	<u>42,715</u>	<u>76,487</u>	<u>329,428</u>	<u>82,217</u>	<u>97,225</u>

Key financial ratios

Below table sets forth our key financial ratios for the year and period and as of the dates indicated:

	<i>Note</i>	Year ended 31 December				Five months
		2014	2015	2016	2017	ended 31 May 2018
Net profit margin	1	6.9%	8.6%	11.3%	18.6%	16.9%
Return on total assets	2	7.2%	6.4%	7.3%	13.6%	N/A
Return on equity	3	13.8%	10.8%	11.1%	27.0%	N/A
Interest coverage	4	11.2 times	28.9 times	43.8 times	56.7 times	N/A

	<i>Note</i>	As at 31 December				As at 31
		2014	2015	2016	2017	May 2018
Current ratio	5	1.2 times	1.4 times	2.6 times	1.7 times	1.9 times
Gearing ratio	6	35.6%	9.9%	11.0%	N/A	N/A
Debt to equity ratio	7	N/A	N/A	N/A	N/A	N/A

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Notes:

1. Net profit margin is calculated by the profit for each reporting period (excluding imputed interest income and listing expenses) divided by the revenue for each reporting period and multiplied by 100%.
2. Return on total assets is calculated by the profit for each reporting period (excluding imputed interest income and listing expenses) divided by the total assets as at the end of each reporting period and multiplied by 100%. N/A denotes not applicable as the ratio are not meaningful given the recorded profit for the period only represented amount for the five months ended 31 May 2018.
3. Return on equity is calculated by the profit for each reporting period (excluding imputed interest income and listing expenses) divided by the total equity as at the end of each reporting period and multiplied by 100%. N/A denotes not applicable as the ratio are not meaningful given the recorded profit for the period only represented amount for the five months ended 31 May 2018.
4. Interest coverage is calculated by the profit before interest and tax (excluding imputed interest income and listing expenses) divided by the interest expenses for each reporting period.
5. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of each reporting period.
6. Gearing ratio is calculated based on total borrowings divided by the total equity as at the end of each reporting period and multiplied by 100%. Total borrowings includes bank borrowings and bank overdrafts.
7. Debt to equity ratio is calculated by dividing total debts minus bank balances and cash and pledged bank deposits with total equity as at the end of each reporting period.

FATAL ACCIDENT DURING THE TRACK RECORD PERIOD

During the Track Record Period, there was one fatal accident on the construction site where our Group was a fitting-out contractor.

On 20 April 2014, a fatal accident happened in the construction site of fitting-out works where a worker (the “**Deceased**”) was employed by our subcontractor (the “**Direct Subcontractor**”) to carry out block wall demolition works. The block wall suddenly collapsed and crashed onto the Deceased who as a result sustained a fatal injury while he was demolishing an L-shape concrete blockwall (the “**Accident**”). SFS Construction Macau was the fitting-out contractor of the works involved in the Accident. The legal proceedings were initiated in the Labour Court of Macau’s Judicial Base Court against the subcontractor, and SFS Construction Macau was one of the parties to the legal proceedings which were settled on 16 June 2015. Pursuant to the settlement memorandum, SFS Construction Macau had paid MOP7,278 as medical cost, while the Direct Subcontractor was required to pay MOP1,000,000 as compensation to the Deceased’s family members, and both medical costs and compensation were covered by insurance. Our Directors confirm that the Accident and the medical costs made by SFS Construction Macau had no material impact on our business and financial position and prospects. The Accident did not result in any criminal charge or conviction against SFS Construction Macau and its directors. For further details, please refer to the section headed “Business — Fatal accident during the Track Record Period” in this prospectus.

REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS

Our Directors confirm that we have complied with all material applicable laws and regulations in material respects in Macau (being the principal jurisdictions in which we operate) during the Track Record Period and up to the Latest Practicable Date. From time to time, we may become a party to various legal, arbitration or administrative proceedings that arise in the ordinary course of our business. The claims and litigations as well as pending and threatened claims and litigations against us during the Track Record Period are principally related to employees’ compensation claims and personal injury claims. Please refer to the section headed “Business — Litigation, arbitration and potential claims” for further details. Our Directors are of the view that none of such proceedings had any material adverse effect on our business, results of operations and financial condition, or on our Shares, the Global Offering and the Listing.

DIVIDEND

We declared dividends of approximately MOP284.3 million during the year ended 31 December 2017. All declared dividends during the Track Record Period had been fully settled by offsetting against the amount due from a Director. There is, however, no assurance that dividends of such amount or any amount will be declared or distributed in any year subsequent to the Listing. We currently do not have a dividend policy and may distribute dividends by way of cash or by other means that we consider appropriate. A decision to declare and pay any dividends is subject to the absolute discretion of our Board. In addition, any final dividend for a financial year will be subject to our Shareholders’ approval. For further details, please refer to the section headed “Financial Information — Dividend” in this prospectus.

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OFFER STATISTICS

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

	Based on minimum indicative Offer Price of HK\$0.52	Based on maximum indicative Offer Price of HK\$0.78
Market capitalisation of our Shares ^(Note 1)	HK\$312.0 million	HK\$468.0 million
Unaudited pro forma adjusted consolidated net tangible assets value per Share ^(Note 2)	HK\$0.32	HK\$0.38

Notes:

1. The calculation of market capitalisation is based on the 600,000,000 Shares expected to be in issue immediately upon completion of the Capitalisation Issue and the Global Offering.
2. The unaudited pro forma adjusted consolidated net tangible assets value per Share has been arrived at after adjustments referred to in “Appendix II — Unaudited Pro Forma Financial Information — A. Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets” to this prospectus and on the basis of 600,000,000 Shares in issue at the indicative Offer Price of HK\$0.52 and HK\$0.78 per Offer Share immediately following completion of the Global Offering.

USE OF PROCEEDS

We currently intend to apply the net proceeds from the Global Offering of approximately HK\$58.9 million for the following purposes assuming the Over-allotment Option is not exercised and assuming an Offer Price of HK\$0.65 per Offer Share, being the mid-point of the Offer Price range stated in this prospectus:

Intended use of net proceeds	Amount	Percentage of net proceeds
(1) To finance our Group’s structural works and fitting-out works projects in Macau, including payment of labour costs, construction material costs and subcontracting charges; and to enhance our financial position to capture more sizeable projects, such as providing sufficient amounts of performance bonds and bid bonds, and to use as cash collateral for increasing bank credit facilities limit to our Group	approximately HK\$25.3 million	43%
(2) Purchase of new machinery and equipment for our forthcoming construction works	approximately HK\$15.9 million	27%
(3) Potential merger and acquisition of construction business in Macau	approximately HK\$5.9 million	10%
(4) To hire additional staff for our Group’s business operation, development and marketing	approximately HK\$5.9 million	10%
(5) General working capital of our Group	approximately HK\$5.9 million	10%

For further details, please refer to the sections headed “Business — Business strategies” and “Future Plans and Use of Proceeds” in this prospectus. The above allocation of the net proceeds from the Global Offering will be adjusted on a pro-rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range stated in this prospectus.

In the event that the Over-allotment Option is exercised in full, we intend to apply the additional net proceeds from the Global Offering to the above uses in the proportions stated above.

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LISTING EXPENSES

Our Directors estimate that the total estimated listing expenses in connection with the Global Offering are approximately MOP39.8 million (equivalent to approximately HK\$38.6 million), based on the mid-point of the Offer Price of HK\$0.65 per Offer Share and assuming no Over-allotment Option will be exercised, of which approximately MOP3.0 million (equivalent to approximately HK\$2.9 million), MOP10.2 million (equivalent to approximately HK\$9.9 million) and MOP1.8 million (equivalent to approximately HK\$1.7 million) have been charged to our consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018 respectively, and approximately MOP10.1 million (equivalent to approximately HK\$9.8 million) is expected to be further charged to our consolidated statement of profit or loss and other comprehensive income for the year ending 31 December 2018, and approximately MOP14.7 million (equivalent to approximately HK\$14.3 million) is expected to be accounted for as a deduction from equity upon the Listing. Our Directors are of the view that there would be a negative impact on the financial results, including the profit for the year of our Group for the financial year ending 31 December 2018, due to the non-recurring Listing expenses. Expenses in relation to the Listing are non-recurring in nature.

SUSTAINABILITY OF OUR BUSINESS

For the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, our five largest customers for each year had made a significant contribution to our revenue which amounted to approximately 99.4%, 91.3%, 96.5%, 92.6% and 91.5% of the total revenue of our Group, respectively and our largest customer for each year, that is Customer A, Customer D, Customer F, Customer E and Customer E, had contributed approximately 74.7%, 34.6%, 51.1%, 68.4% and 57.3% of the total revenue of our Group, for the corresponding year/period respectively. It was mainly because the project size of these largest customers throughout the Track Record Period was relatively large in terms of revenue, and these projects had generated consistent and significant revenue, and these largest customers had awarded more than one project to our Group during the Track Record Period. For the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, our revenue from structural works were approximately 83.8%, 50.1%, 35.4%, 11.6% and 22.9% of the total revenue of our Group, respectively. In 2013 and 2014, we had been awarded with four large-scale structural works contracts for the hotels and casinos which had taken up most of our capacity till the end of 2015. The decreasing trend in our revenue contribution from structural works and our overall revenue was mainly due to a number of sizeable structural works projects had reached their final stage or had completed. Thereafter, we carried on more fitting-out works to capture the industry demand. In 2017, our Group began to diversify new customers and expand into the non-hotel and casino sector. Regardless of the fluctuation in our revenue and revenue mix, we continued to secure new contracts and were able to maintain a similar level of profitability during the Track Record Period. As at the Latest Practicable Date, we had 17 on-going projects (either in progress or yet to commence), of which four were related to structural works and 13 were related to fitting-out works. For details, please refer to section headed “Business — Our projects — (2) Projects in progress” in this prospectus. According to the Frost & Sullivan Report, in view of the “Five-Years Development Plan (2016-2020)” and various policies launched by the Macau Government, it is expected that there will be an increase in market size of substructure works and superstructure works in Macau from 2018 onwards. Going forward, we will continue to tender structural and fitting-out works projects in various sizes in the commercial sector as well as the non-commercial sector.

Our Directors are of the view, and the Sole Sponsor concurs that our Group’s business is sustainable taken into account following factors and bases:

- (i) *Our well-established reputation in both structural works and fitting out works*

Construction industry is cyclical but also scalable. Throughout the years, our Directors believe that the management has demonstrated their ability to capture the business opportunities presented in each cycle and continue to grow. We have undertaken various construction works in Macau, including structural works for hotels, department store and residential properties, and fitting-out works for the entertainment facilities, restaurants, commercial buildings, various hotels and casinos. Our Group has become an established player in the industry. In 2017, our Group ranked fourth in commercial fitting-out works in Macau in terms of revenue.

SUMMARY

(ii) *Recognition by existing customers and ability to maintain relationship with them*

We maintained stable relationships with our major customers, including hotel and casino owners and main contractors which are well-known in Macau and Hong Kong. Our Group has business cooperation with many of our five largest customers during the Track Record Period, and certain customers, including the hotel and casino owners, had awarded us with more than one project during the Track Record Period.

(iii) *Continuous progress in securing and tendering projects and diversify our customer base*

In 2018, nine new construction contracts with a total contract sum of MOP158.5 million were awarded to our Group. As at the Latest Practicable Date, including the tenders and quotations submitted during the Track Record Period, there were 20 tenders of which we had yet to receive results after submitting tenders or quotations with an aggregate expected contract sum of approximately MOP605.7 million. The continuous progress in securing projects shows our Group's ability to sustain in the market. Furthermore, even though the number of sizeable hotel and casino projects in Macau has decreased since 2016 as various major projects had been completed and pending for new ones to commence, our Group was able to maintain its gross profit at a stable level. After Track Record Period, our Group was awarded with one new fitting-out works project in the public sector. Our Directors believe this has further demonstrated our Group's ability to cope with the industry trend and expanding our customer base without heavy reliance on single customer or sector such as hotel and casino structural projects.

Given that our Group has maintained relationship with our major customers, our Directors believe that our stable relationship with our customers and our proven track record in construction works could increase our competitiveness in tendering, and together with the listing status, we will be able to capture the expected market growth in the future. For further details of in this prospectus our competitive strengths, please refer to the section headed "Business — Competitive strengths".

Moreover, our Directors consider that our Group does not solely rely on any single one of our major customers nor large-scale structural works and our Group's business is sustainable. Please refer to the section headed "Business — Customers — Reliance on major customers, hotel and casino sectors, large-scale structural works and sustainability of our Group's business" for details.

RECENT DEVELOPMENT

Subsequent to the Track Record Period and up to the Latest Practicable Date, our Group was awarded with one new fitting-out works project in the public sector with contract sum of approximately MOP16.7 million and one new structural works project in commercial sector with contract sum of approximately MOP1.9 million.

As at the Latest Practicable Date, we had 17 on-going projects (either in progress or yet to commence), including four structural works projects and 13 fitting-out works projects, with an aggregate contract sum of approximately MOP762.0 million. The said contract sum does not take into account any variation orders issued by our customers. Up to 31 May 2018, approximately MOP565.5 million, including revenue from the variation orders, has been recognised for the 17 on-going projects. It is expected that these 17 on-going projects will contribute an estimated backlog revenue of approximately MOP262.6 million and MOP45.5 million to be recognised for the years ending 31 December 2018 and 2019, respectively. For further details, please refer to section headed "Business — Our projects — (2) Projects in progress". Our Group's financial results, including net profit, for the year ended 31 December 2017 was decreased significantly as compared to the year ended 31 December 2016 because no significant revenue was derived from structural works projects for the year ended 31 December 2017 as most of the hotel and casino structural projects were reaching their final stage and/or completed in or around 2016.

After the Track Record Period and up to the Latest Practicable Date, we had submitted 23 tenders or quotations for new projects with an aggregate expected contract sum of approximately MOP883.2 million. Among the 23 tenders or quotations submitted, four projects with aggregate expected contract sum of approximately MOP 389.0 million have released results while 19 projects with expected

SUMMARY

contract sum of approximately MOP494.2 million were yet to release results. As at the Latest Practicable Date, including one tender submitted during the Track Record Period, there were 20 projects for which we had yet to receive results after submitting the tenders or quotations with an aggregate expected contract sum of approximately MOP605.7 million.

Our Directors believe that having considered (i) the expected recovery of the growth rate of and continuous increase in market size of superstructure and substructure works in Macau from 2018 onwards; (ii) our track record projects and our reputation in the construction industry, including our capability to provide both structural works and fitting-out works; and (iii) our Group's future expansion plans with details set out in the section headed "Business — Business strategies" in this prospectus, our Group can compete for projects and maintain a sustainable development of the business.

MATERIAL ADVERSE CHANGE

Our Directors have confirmed that up to the date of this Prospectus, save as disclosed in the paragraph headed "Listing expenses" in this section above and the imputed interest income derived from amounts due from a related company and a director during Track Record Period as disclosed in the section headed "Financial Information — Results of operations" in this prospectus, which both Listing expenses and imputed interest income are non-recurring in nature, there had been no material adverse change in our financial or trading position since 31 May 2018 (being the date of which our Group's latest audited consolidated financial statements were made up as set out in the Accountants' Report in Appendix I to this prospectus), and there had been no event since 31 May 2018 which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus. As far as our Directors are aware, there was no material change in the general conditions in the markets that our Group operates since 31 May 2018 which would have material adverse effect on our Group's business, results of operations and financial conditions.

DEFINITIONS

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

“Accountants’ Report”	the accountants’ report of our Group prepared by the Reporting Accountants set out in Appendix I to this prospectus
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s), or where the context so requires, any of such forms as used in the Hong Kong Public Offering
“Articles” or “Articles of Association”	the articles of association of our Company, adopted on 17 August 2018 with effect from the Listing Date, and as amended from time to time, a summary of which is contained in Appendix IV to this prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“BMI”	BMI Securities Limited
“Board”	the board of Directors
“business day”	a day on which banks in Hong Kong are open for general banking business, other than (i) a Saturday or a Sunday; or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of 449,980,000 Shares made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to the section headed “Statutory and General Information — A. Further information about our Company — 4. Written resolutions of the Shareholders passed on 17 August 2018” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant

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“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China Investment”	China Investment Securities International Brokerage Limited
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Companies Law” or “Cayman Companies Law”	the Companies Law, Cap 22 (as consolidated and revised) of the Cayman Islands, as amended, consolidated or otherwise modified from time to time
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding up and Miscellaneous Provisions) Ordinance”	Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	AB Builders Group Limited (奧邦建築集團有限公司) (formerly known as “AB Group Holdings Limited (奧邦集團控股有限公司)”), an exempted company incorporated in the Cayman Islands with limited liability on 23 February 2017
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and in the context of our Company, means Mr. Lao, Mrs. Lao, Laos International and WHM Holdings
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Corporate Governance Code”	the Corporate Governance Code set out in Appendix 14 to the Listing Rules

DEFINITIONS

“Deed of Indemnity”	the deed of indemnity dated 17 August 2018 and entered into between our Controlling Shareholders and our Company (for ourselves and as trustee for our subsidiaries), particulars of which are set out in the section headed “Statutory and General Information — E. Other information — 1. Estate duty, tax and other indemnity” in Appendix V to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 17 August 2018 and entered into between our Controlling Shareholders and our Company (for ourselves and as trustee for our subsidiaries), in respect of certain non-competition undertakings given by our Controlling Shareholders in favour of us, particulars of which are set out in the section headed “Relationships with the Controlling Shareholders” in this prospectus
“Director(s)”	the director(s) of our Company
“DSSOPT”	Land, Public Works and Transport Bureau of Macau (in Portuguese, the Direcção dos Serviços de Solos, Obras Públicas e Transportes da Região Administrativa Especial de Macau and in Chinese, 澳門特別行政區土地工務運輸局)
“ eWhite Form(s) ”	the application form(s) for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of eWhite Form at www.ewhiteform.com.hk
“ eWhite Form Service Provider”	the eWhite Form Service Provider designated by our Company, as specified on the designated website at www.ewhiteform.com.hk
“Fu Tat Lei”	Fu Tat Lei Development Company Limited, a company incorporated in Macau with limited liability on 15 July 2005, which is a property developer in Macau and, as at the Latest Practicable Date, indirectly owned as to 50% equity interest by Red Development
“Frost & Sullivan”	Frost & Sullivan International Limited, an international market research consultant and an Independent Third Party
“Frost & Sullivan Report”	the industry report prepared by Frost & Sullivan on the Macau superstructure works and fitting-out industry for the period from 2012 to 2022, the content of which is set out in this prospectus
“GDP”	gross domestic product

DEFINITIONS

“Global Offering”	the Hong Kong Public Offering and the International Placing
“ GREEN Application Form(s)”	the application form(s) to be completed by the eWhite Form Service Provider
“Group”, “our Group”, “we”, “our” or “us”	our Company and our subsidiaries, or where the context refers to any time prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company and the businesses operated by such subsidiaries
“Haitong International”	Haitong International Securities Company Limited
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“HK\$” or “HK dollars” or cents	Hong Kong dollars and cents, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Boardroom Share Registrars (HK) Limited
“Hong Kong Government”	the government of Hong Kong
“Hong Kong Offer Shares”	the 15,000,000 new Shares (subject to reallocation) being initially offered by our Company for subscription in the Hong Kong Public Offering, as described under the section headed “Structure and conditions of the Global Offering” in this prospectus
“Hong Kong Public Offering”	the conditional offering by our Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in this prospectus and the Application Forms
“Hong Kong Underwriters”	the Underwriters of the Hong Kong Public Offering, whose names are set out under the section headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 24 August 2018 relating to the Hong Kong Public Offering and entered into by, among others, our Company, the Sole Sponsor, the Joint Global Coordinators, our Controlling Shareholders, our executive Directors and the Hong Kong Underwriters, as further described in the section headed “Underwriting” in this prospectus

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“IFRS”	the International Financial Reporting Standards, as issued by the International Accounting Standards Board
“Independent Third Party(ies)”	person(s) or company(ies) which are independent of and not connected with (within the meaning of the Listing Rules) any of the directors, chief executive and substantial shareholders (within the meaning of the Listing Rules) of our Company, any of our subsidiaries or any of our respective associates, and an “ Independent Third Party ” means any of them
“International Placing”	the conditional placing of the International Placing Shares, at the Offer Price with professional, institutional and other investors by the International Underwriters on behalf of our Company as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“International Placing Shares”	the 135,000,000 Offer Shares initially being offered for subscription at the Offer Price under the International Placing together with, where relevant, any additional Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option, but subject to the adjustment as described in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“International Underwriting Agreement”	the underwriting agreement in relation to the International Placing expected to be entered into on the Price Determination Date between, among others, our Company, our executive Directors, our Controlling Shareholders, the Sole Sponsor, the Joint Global Coordinators and the International Underwriters
“International Underwriters”	our group of underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Placing Shares
“Jiangmen Jinying”	Jiangmen Jinying Construction & Engineering Co., Ltd* (江門市晉盈建築工程有限公司), a limited liability company established under the laws of the PRC on 11 April 2011, which was owned as to 60% by SFS Construction Macau and 40% by an Independent Third Party immediately prior to the Reorganisation, and was owned as to 60% by New Kingdom and 40% by an Independent Third Party upon completion of the Reorganisation
“Joint Bookrunners”	Southwest HK Brokerage, Sinolink Securities, China Investment and Haitong International

DEFINITIONS

“Joint Global Coordinators”	Southwest HK Brokerage, Sinolink Securities and China Investment
“Joint Lead Managers”	Southwest HK Brokerage, Sinolink Securities, China Investment, Haitong International and BMI
“Laos International”	Laos International Holdings Limited, a company incorporated under the laws of the BVI on 12 May 2011 with limited liability, which is wholly owned by Mr. Lao, our Controlling Shareholder
“Latest Practicable Date”	19 August 2018, being the latest practicable date for the inclusion of information in this prospectus prior to the printing of this prospectus
“Listing”	listing of the Shares on the Main Board
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which dealings of the Shares on the Main Board first commence, which is expected to be on 10 September 2018
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Macau”	the Macau Special Administrative Region of the PRC
“Macau Government”	the government of Macau
“Macau Legal Adviser”	C & C Lawyers, the legal adviser to our Group as to Macau law
“Macau Statistics Department”	Statistics and Census Service (DSEC) of Macau Government
“Main Board”	the stock exchange (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” or “Memorandum of Association”	the memorandum of association of our Company, adopted on 17 August 2018 with effect from the Listing Date, and as amended from time to time
“MOP”	Macau Pataca, the lawful currency of Macau
“Mr. Cheang”	Cheang Iek Wai (鄭益偉), our executive Director, the spouse of Ms. Athena Lao, son-in-law of Mr. Lao and Mrs. Lao, brother-in-law of Ms. Vicki Lao and Ms. Lao Choi Ian

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“Mr. Lao”	Lao Chio Seng (劉朝盛), our executive Director, our Controlling Shareholder, the spouse of Mrs. Lao, father of Ms. Vicki Lao, Ms. Athena Lao and Ms. Lao Choi Ian and father-in-law of Mr. Cheang
“Mrs. Lao”	Wong Hio Mei (黃曉媚), our Controlling Shareholder, the spouse of Mr. Lao, mother of Ms. Vicki Lao, Ms. Athena Lao and Ms. Lao Choi Ian and mother-in-law of Mr. Cheang
“Ms. Athena Lao”	Lao Chao U (劉秋瑜), our executive Director and chief executive officer of our Group, the spouse of Mr. Cheang daughter of Mr. Lao and Mrs. Lao, the younger sister of Ms. Vicki Lao and the elder sister of Ms. Lao Choi Ian
“Ms. Vicki Lao”	Lao Ka U (劉家裕), our executive Director, the daughter of Mr. Lao and Mrs. Lao, the eldest sister of Ms. Athena Lao and Ms. Lao Choi Ian and sister-in-law of Mr. Cheang
“New Generation”	New Generation Construction & Engineering Company Limited (新一代建築工程有限公司), a company incorporated in Macau with limited liability on 21 January 2011 and was owned as to 98% by SFS Construction Macau and 2% by Ms. Vicki Lao prior to the Reorganisation, and owned as to 98% by Red Development and 2% by New Kingdom upon completion of the Reorganisation
“New Kingdom”	New Kingdom Development Company Limited (新國度發展一人有限公司), a limited liability company incorporated in Macau on 4 March 2011 and wholly owned by Red Development, a close associate of Mr. Lao and Mrs. Lao
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) under the Global Offering which is expected to be determined as further described in the section headed “Structure and Conditions of the Global Offering — Pricing and Allocation” in this prospectus
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares, together with, where relevant, any additional Shares issued pursuant to the exercise of the Over-allotment Option

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“Over-allotment Option”	the option to be granted by our Company to the Joint Global Coordinators, exercisable by it on behalf of the International Underwriters, subject to the terms and conditions of the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 22,500,000 additional Offer Shares (representing 15% of the initial number of the Offer Shares) to cover over-allocations in the International Placing and/or to satisfy the obligation of the Stabilising Manager to return securities borrowed under the Stock Borrowing Agreement, particulars of which are set out in the section headed “Structure and Conditions of the Global Offering” in this prospectus
“PRC” or “China”	The People’s Republic of China which, for the purpose of this prospectus, shall exclude Hong Kong, Macau and Taiwan
“PRC Government”	the central government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the laws of Hong Kong) as in force before 3 March 2014
“Price Determination Date”	the date expected to be on or around Friday, 31 August 2018 but no later than Monday, 3 September 2018, on which the Offer Price is fixed for the purpose of the Global Offering
“Red Development”	Red Development Company Limited (澳紅天發展有限公司), a company incorporated in Macau with limited liability on 20 January 2011 which is a close associate of Mr. Lao and Mrs. Lao, and is owned as to 98% by SFS Real Estate Holdings Limited, a company ultimately held by Mr. Lao and Mrs. Lao, and 2% by Ms. Vicki Lao
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the reorganisation arrangements undergone by our Group in preparation for the Listing, which is more particularly described in the section headed “History and Corporate Structure” in this prospectus
“Reporting Accountants”	Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of our Company

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“Repurchase Mandate”	the general unconditional mandate to repurchase Shares given to our Directors by our Shareholders, further details of which are contained in the section headed “Statutory and General Information — A. Further information about our Company — 4. Written resolutions of the Shareholders passed on 17 August 2018” in Appendix V to this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“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
“SFS BVI”	SFS Construction Holdings Limited, a company incorporated under the laws of the BVI on 4 August 2011 with limited liability, which is our wholly-owned subsidiary
“SFS Construction Hong Kong”	San Fong Seng Construction & Engineering Co., Limited (新方盛建築工程有限公司), a company incorporated in Hong Kong with limited liability on 18 March 2011 and a wholly-owned subsidiary of our Company
“SFS Construction Macau”	San Fong Seng Construction & Engineering Company Limited (新方盛建築工程一人有限公司), a company incorporated in Macau with limited liability on 5 July 1998 and a wholly-owned subsidiary of our Company
“Shares”	ordinary shares of our Company with a nominal value of HK\$0.01 each
“Shareholder(s)”	holder(s) of the Shares
“Share Option Scheme”	the share option scheme conditionally approved and adopted by our Company on 17 August 2018, a summary of its principal terms is set out in the section headed “Statutory and General Information — D. Share Option Scheme” in Appendix V to this prospectus
“Sinolink Securities”	Sinolink Securities (Hong Kong) Company Limited
“SKS Federal Construction”	San Kong Seng Federal Construction Company Limited (新江盛聯邦建築工程有限公司), a company incorporated in Macau with limited liability on 26 February 2013, which was owned as to 51% by New Generation, a close associate of Mr. Lao and Mrs. Lao, and 49% by an Independent Third Party

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“Southwest HK Brokerage”	Southwest Securities (HK) Brokerage Limited, a licensed corporation under the SFO permitted to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities, acting as one of the joint global coordinators, bookrunners and lead managers of the Global Offering
“Sole Sponsor” or “Southwest HK Capital”	Southwest Securities (HK) Capital Limited, a corporation licensed by the SFC to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, acting as the sponsor to the Listing
“sq.m.” or “m ² ”	square metres
“Stabilising Manager”	Sinolink Securities
“Stock Borrowing Agreement”	the stock borrowing agreement which is expected to be entered into on or about the Price Determination Date between the Stabilising Manager (or its affiliates acting on its behalf) and Laos International, pursuant to which Laos International will agree to lend up to 22,500,000 Shares to the Stabilising Manager on terms set out therein
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers of Hong Kong
“Track Record Period”	the four financial years ended 31 December 2017 and the five months ended 31 May 2018
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States”, “U.S.” or “US”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
“US\$” or “U.S. dollars” or “US dollars”	United States dollars, the lawful currency of the United States

DEFINITIONS

“ WHITE Application Form(s)”	the application form(s) to be completed by the public who requires such Hong Kong Offer Shares to be issued in the applicants’ own name
“WHM Holdings”	WHM Holdings Limited, a company incorporated under the laws of the BVI on 12 May 2011 with limited liability, which is wholly owned by Mrs. Lao
“ YELLOW Application Form(s)”	the application form(s) to be completed by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
“%”	per cent.

The English names of marked with “” are unofficial English translations of the Chinese names of, among others, entities, laws or regulations or government authorities, that do not have official English names. If there is any inconsistency, the Chinese names shall prevail.*

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

Certain monetary amounts included in this prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

For the purpose of illustration only and unless otherwise specified in this prospectus, amounts denominated in RMB and MOP have been translated into HK\$ at the rate of RMB1 = HK\$1.25 and MOP1.0315 = HK\$1. No representation is made that the RMB and MOP amounts could have been, or could be, converted into HK\$ at such rates or at any other rate on such date or on any other date. Unless otherwise specified, all references to any shareholdings in our Company assume no exercise of the Over-allotment Option.

GLOSSARY OF TECHNICAL TERMS

This glossary contains certain definitions and technical terms in this prospectus which relate to our business and the industries and sectors that we operate in. As such, some terms and definitions may not correspond to standard industry definitions or usage of such terms.

“bid bond”	a bid bond is generally issued as part of a bidding process by the contractor to the project owner (usually, the government), in order to provide guarantee that the winning bidder will undertake the terms and conditions stated in the tender document at which they bid, which is usually released to the contractor if it is not successful in the tender or the contractor has provided the performance bond if it is successful in the tender
“ELS”	excavation and lateral support
“fitting-out works”	fitting-out works are undertaken with respect to the interior spaces of a property after such property has been structurally completed but before it is suitable for occupation or available to be handed over to the end users. Fitting-out works project generally includes stone works, shop drawings, wall partitioning, painting, carpentry, joinery works, floor carpeting, decorative lighting suspended ceilings, plastering works, steel and metal works, installation of drainage and wares, fittings, fixture and equipment, glass works, painting works, wall papering, excluding electrical and mechanical installation
“foundation works”	foundation works generally include pipe piles, excavation, ELS, bored piles, site formation, etc.
“GFA”	gross floor area
“ISO”	International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	a framework and systematic approach set by ISO to managing business processes to produce a product/service that conforms to customer expectations
“ISO 14001”	a set of environmental management standards set by ISO for assisting a company to continually improve its ability to efficiently identify, minimise, prevent and manage environmental impacts

GLOSSARY OF TECHNICAL TERMS

“main contractor”	a contractor directly appointed by the project owners, who generally oversees the progress of the entire construction project and delegates different work tasks of the construction to other contractors
“OHSAS 18001”	Occupational Health and Safety Assessment Series, an international standard setting out requirements for occupational health and safety management system developed for managing the occupational health and safety risks associated with a business
“nominated sub-contractor”	an individual or a company nominated by the project owner to perform specific task(s), as part of the overall construction project
“performance bond”	a performance bond is a surety bond usually issued by a bank to guarantee satisfactory completion of a project by a contractor
“practical completion”	practical completion is the stage where works have been completed in accordance with the contract and all relevant statutory requirements (with the exception of minor defects or minor omissions), and handover of construction site to main contractor or project owner after which completion certificates will be issued by the main contractor or the project owner
“project owner”	the proprietor of a construction project, usually a real estate developer or a local government
“quantity surveyor”	a person with skills in the construction industry in relation to the estimation of construction costs and assessing quantity of completed works
“subcontractor”	an individual or in many cases a company hired by a higher level, for example main contractors, to perform specific task(s) as part of the overall construction project
“substructure works”	substructure works focus on building the structure below the ground level including basement and foundation works
“superstructure works”	superstructure works cover the construction of upper extension of a structure (e.g. building) located above the ground level, which are normally commenced after the completion of site preparation as well as substructure works especially the foundation works

GLOSSARY OF TECHNICAL TERMS

“structural works”	structural works cover superstructure works and substructure works
“variation order(s)”	such additional works, omissions or changes requested by the customers for specifications not included in the original contract

FORWARD-LOOKING STATEMENTS

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

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

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

- our business strategies and plan of operation;
- the success of our existing and future operation;
- our capital expenditure plans;
- our dividend policy;
- our ability to retain senior management team members and recruit qualified and experienced new team members;
- our ability to maintain our competitiveness and operational efficiency;
- our prospective financial conditions;
- future development in the industries in which we operate;
- the global and domestic economy;
- laws, regulations and rules for the structural works and fitting-out works industry and other industries in Macau and other parts of the world in which we operate;

FORWARD-LOOKING STATEMENTS

- factors that are described in the section headed “Risk Factors” in this prospectus; and
- other factors beyond our control.

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

RISK FACTORS

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

RISKS RELATING TO OUR GROUP'S BUSINESS

Our revenue is derived from contracts awarded through competitive tendering and non-recurring and there is no guarantee that we will succeed in the tender process or our customers will award new contracts to us in the future

Our Group focuses on structural works and fitting-out works. Due to the industry nature, our revenue is generally derived from contracts awarded through competitive tendering and is non-recurring in nature.

For the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, our Group's overall tender success rate on construction projects was approximately 16.7%, 6.1%, 17.5%, 13.3% and 25.0%, respectively. There is no assurance that we will be invited to or are made aware of the tendering process or that we will succeed in the tender process in the future. There is also a risk that our Group may not be awarded with new contracts by customers upon the expiry of the contracts on hand and there is no assurance we will be able to maintain or increase our success rate in obtaining projects tendered and quoted in the future. In the event that we are unable to secure new projects of similar or larger contract sum on a continuous basis, our results of operations, financial condition as well as business prospects may be materially and adversely affected.

Our historical performance may not be indicative of our performance in the future

Our Group's revenue for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 were amounted to approximately MOP524.7 million, MOP399.1 million, MOP371.3 million, MOP185.2 million and MOP96.1 million, respectively. Our Group's gross profit of approximately MOP53.4 million, MOP51.0 million, MOP58.7 million, MOP50.0 million and MOP24.1 million for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, respectively, and the gross profit margin was approximately 10.2%, 12.8%, 15.8%, 27.0% and 25.0%, respectively for the corresponding years/period. We recorded a decreasing trend on our revenue during the Track Record Period, our gross profit and net profit for the year ended 31 December 2017 was decreased as compared with the year ended 31 December 2016 with details explained in "Financial Information" section. There is no assurance that our Group's financial result, including revenue and profit can maintain at similar level to those recorded, during the financial years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018. The trend of the historical financial information of our Group is a mere analysis of our past performance only and does not have any positive implication or may not necessarily reflect our financial performance in the future which will depend on our capability to secure new business opportunities and to control

RISK FACTORS

our costs. Profit margins for our construction business may fluctuate from project to project due to various factors, such as our construction material costs and labour costs. There is no assurance that our profit margins in the future will remain at a level comparable to those recorded during the Track Record Period. Our financial condition may be adversely affected by any decrease in our profit margins.

Our revenue was derived solely from the operations in Macau and we relied on the tourism and gaming industries, any downturn in the Macau market will affect our financial performance

During the Track Record Period, our Group's revenue was derived solely from the operations in Macau, and our top five customers during Track Record Period were mainly hotel and casino owners and main contractors of hotel and casino projects. Revenue generated from our services provided to the customers who were hotel and casino owners or main contractors of hotel and casino projects for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 was approximately MOP524.7 million, MOP348.5 million, MOP363.3 million, MOP174.6 million and MOP70.1 million, representing approximately 100.0%, 87.3%, 97.9%, 94.3% and 72.9% of our total revenue, respectively. As such, if any downturn in the economy of Macau, in particular the tourism and gaming industries, there would be an adverse impact on our Group's business and profitability.

We rely on key customers during the Track Record Period which accounted for over 90% of our total revenue each year

We derived a significant portion of our revenue from a small number of key customers during the Track Record Period. Our Group's five largest customers accounted for approximately 99.4%, 91.3%, 96.5%, 92.6% and 91.5% of our Group's revenue for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, respectively, of which approximately 74.7%, 34.6%, 51.1%, 68.4% and 57.3% of our Group's total revenue were attributed to our largest customer for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, respectively. Due to the nature of construction business, the structural works and fitting-out works are generally on a project-by-project basis and we do not enter into any long-term written agreements with these major customers. There is no assurance that we would be able to retain our major customers in the future. Our Group's results of operations, profitability and liquidity would be materially and adversely affected if we are unable to secure new projects from our major customers and fail to procure a similar level of business from other customers on comparable commercial terms to partly or wholly offset the loss of revenue from our major customers.

In addition, our Group's business, financial condition and results of operations also depend on the financial condition and commercial success of these major customers. If any of our five largest customers shall experience any financial difficulties and become unable to make payments, our Group may be unable to recover significant amounts of trade receivables and retention receivables and our cash flows and financial position could be adversely affected.

RISK FACTORS

We are required to provide the performance bonds under the construction contracts and to pay certain expenses at the initial stage of the projects, and therefore the cash flow of our Group may fluctuate from time to time

Our Group is required to provide the performance bonds, generally up to 10% of the contract sum of a project, and may also be required to pay certain expenses such as payment of subcontracting charges, construction material costs and labour costs, at the early stage for carrying out our works and prior to payment received from our customers. Our customers make progress payments after the works commence and such works and payments are generally certified by our customers pursuant to the construction contracts. Furthermore, our customers normally withhold 5% to 10% of the contract sum as retention money, and the first 50% of retention money will be released upon issuance of completion certificate or practical completion and the remaining balance will generally be released after the expiry of defect liability period. Accordingly, the cash flows of a particular project normally turn from net outflows at the early stage into accumulative net inflows gradually as the works progress. In the event that our Group has more projects commencing at the same time or retention money could not be released by our customers in a timely manner, our Group's corresponding cash flow position may be adversely affected.

We rely on our subcontractors to complete certain projects and are subject to the risks of non-performance, late performance or poor performance of our subcontractors

Our Group would subcontract certain parts of a project to subcontractors, depending on various factors, such as the availability of our Group's resources, cost effectiveness and the complexity of such project. In selecting subcontractors, we will evaluate them based on technical capability, job reference, pricing competitiveness, labour resources and past safety performance. For the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, subcontracting charges incurred by our Group amounted to approximately MOP247.8 million, MOP206.6 million, MOP188.6 million, MOP80.2 million and MOP34.2 million, respectively, representing approximately 52.6%, 59.4%, 60.3%, 59.3% and 47.5% of our Group's cost of sales for the corresponding years/period respectively.

However, there is no assurance that the quality of our subcontractors' works is satisfactory. We may be exposed to the risks associated with non-performance, delayed performance or unsatisfactory performance by our subcontractors. We may then incur additional costs or be subject to the liability under the contracts with our customers due to the delayed performance or unsatisfactory performance by our subcontractors. As a result, our profitability and financial performance will be adversely affected. There is no assurance that our Group will always be able to secure suitable subcontractors when required, or be able to negotiate acceptable fees and terms of service with subcontractors. In such event, our Group's operation and financial position may be adversely affected.

RISK FACTORS

We require a stable supply of labour to carry out structural works and fitting-out works and any changes in the labour supply or policy in relation to granting labour quota may adversely affect our operation and financial performance

We rely on foreign workers to carry out our structural works projects and fitting-out works projects due to a constant shortage of local construction workers in Macau. As at the Latest Practicable Date, over 50% of our Group's workforce was made up of foreign labour. Our Group is, nonetheless, subject to labour quota restrictions in relation to foreign workers imposed by the Macau Government and we may encounter difficulty in obtaining or renewing the necessary working permits and documentations for some or all of our foreign workers. In the event that the Macau Government refuses to grant sufficient labour quota to us or we fail to recruit sufficient skilled workers in Macau, our service efficiency may be curtailed, and our results of operations and financial conditions may be adversely affected.

Material fluctuations in the labour costs or construction material costs may adversely affect our financial performance

Labour costs and construction material costs represent a significant portion of our cost of sales. Construction material costs mainly represent cost of raw materials consumed in our projects such as round reinforcing steel bars, concrete, glass, cement, plywood, tiles, carpets, wallcovering, fabrics, marbles, sanitary-ware and ironmongery. For the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, (i) our direct labour costs amounted to approximately MOP20.4 million, MOP22.0 million, MOP21.7 million, MOP32.1 million and MOP14.0 million, representing approximately 4.3%, 6.3%, 7.0%, 23.8% and 19.5% of our cost of sales, respectively; and (ii) our construction material costs (without taking into account the contra-charges incurred) amounted to approximately MOP23.5 million, MOP30.4 million, MOP23.9 million, MOP15.8 million and MOP6.8 million, representing approximately 5.0%, 8.7%, 7.6%, 11.7% and 9.4% of our cost of sales, respectively. Should there be any material fluctuations in the labour costs and construction material costs, our cost of sales will be increased significantly which may in turn adversely affect our profitability and financial performance.

Failure to make accurate estimation for submitting tenders for new projects could materially affect our Group's profitability

Our projects are generally awarded on a project-by-project basis through tender process and we have to go through competitive tender process to secure new projects. The profitability of our Group's project depends on the price of tender, which is determined based on the estimated costs to be incurred plus a mark-up. Therefore, cost management is usually critical in ensuring that the project meets its budgeted profit margin. In the preparation of the tender, our Group will carry out internal costing and budgeting estimation of construction materials and labour to determine tender price.

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After a project is awarded to our Group, if the actual time and costs involved in completing such project exceed its estimation at the time when the tender was submitted as a result of factors beyond our control, our Group's profitability may be materially and adversely affected. During the Track Record Period, there were four loss-making projects with the aggregate losses of approximately MOP6.3 million. Such losses were mainly due to the unexpected complexities of implementation of the project.

Furthermore, variation order, provisional items or optional works are also the key factors which could affect our results of operation. Variation order will be issued when there is any alteration to the original scope of contracted work such as addition or cancellation of work, increase or decrease of work quantity and changes of the character of quality of material or work etc., and also our customers will confirm the provisional items/optional works as specified in the construction contracts during the construction period. It could either have a positive and negative impact on time, revenue and costs incurred.

We may be exposed to our customers' credit risks and our liquidity position may be adversely affected if our customers fail to make progress payment or release retention money on time or in full

Pursuant to the contracts entered between our customers and us, we generally receive progress payment from our customers on a monthly basis with reference to the value of the works completed or upon achieving key milestones. Generally, the value of the works completed is assessed by our customer who will verify our Group's claims for progress payments for the amount of works completed. For further details of progress payments, please refer to the section headed "Business — Customers — Key terms of construction contracts" in this prospectus. Our trade receivables amounted to approximately MOP37.2 million, MOP42.0 million, MOP37.3 million, MOP18.5 million and MOP34.5 million as at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018, respectively, and our trade receivables turnover days were approximately 22.3 days, 36.2 days, 38.9 days, 54.9 days and 41.6 days for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 respectively. Included in trade receivables are allowances for doubtful debts of approximately MOP13.2 million, MOP13.2 million, MOP3.2 million, MOP0.5 million and MOP0.5 million, for which the amounts have aged over one year or the debtor is in severe financial difficulty, as at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018, respectively. Any difficulty in collecting a substantial portion of our trade receivables could materially and adversely affect our cash flows and financial positions.

In addition, our customers normally withhold 5% to 10% of the total contract sum as retention money to secure our Group's due performance of the contracts. In general, half of the retention money will be released to us when the completion certificate is issued or practical completion and the remaining balance of the retention money will be released upon the expiry of the defect liability period. As at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018, retention receivables held by our customers for contract works and recorded in the contract assets and contract liabilities amounted to approximately MOP34.6 million, MOP40.3 million, MOP42.7 million, MOP51.7 million

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and MOP30.5 million, respectively. There can be no assurance that such progress payments will be made on time or that such retention money will be timely released by our customers in the future. Any failure by the customers to make progress payments to our Group or release the retention money in a timely manner may have an adverse effect on our Group's liquidity position.

We may not be able to bill and receive the full amount of the contract assets

We recognise contract revenue based on the surveys of structural works and fitting-out works completed by our Group with reference to the payment certificates issued by architects, surveyors or other representatives appointed by the customer. Contract asset is recognised when (i) our Group completes the structural works and fitting-out works under such construction contracts but yet certified by architects, surveyors or other representatives appointed by customers, or (ii) the customers retain retention money to secure the due performance of the contracts. Our Group recorded contract assets of approximately MOP43.8 million, MOP45.1 million, MOP48.0 million, MOP54.0 million, and MOP31.8 million as at 31 December 2014, 2015, 2016, 2017 and 31 May 2018, respectively. The contract assets may vary from period to period. It is a timing difference between our progress work done on and the timing of works certified by our customers at the end of each reporting period. Please refer to the section headed "Financial Information — Net current assets — Contract assets (liabilities)/contract costs" in this prospectus for further details. There is no assurance that we will be able to bill and receive the full amount of contract assets as we may not be able to reach an agreement with the customers on the value of our work done or the customers fail to release the retention money in a timely manner. If we are not able to do so, our results of operations, liquidity and financial position may be adversely affected.

The amount of revenue that we are able to derive from a project may be higher or lower than the original contract sum due to factors such as variation orders

As at the Latest Practicable Date, our Group had 17 on-going projects (either in progress or yet to commence), and the total amount of revenue expected to be recognised from such projects is estimated to be approximately MOP262.6 million and MOP45.5 million for the years ending 31 December 2018 and 2019 respectively. The revenue to be recognised under these on-going projects is subject to change due to various factors, among others, the request of variation orders, confirmation of provisional items/optional works under the construction contracts and actual construction progress. As such, there is no assurance that the amount of revenue derived from our projects on hand will not be substantially different from the original contract sum as specified in the relevant contracts.

Furthermore, the variation orders may be placed by our customers to different aspects of the contracted works including but not limited to (i) additions, substitutions, alternations, changes in quality, form, character, kind, position or dimension of works; and (ii) changes to the sequence, method or timing of construction specified in the original contract. In addition, the variation orders may have different nature, different complexity and different time schedule. Therefore, the profit margin derived from the variation orders may vary. Our financial condition may be adversely affected by any decrease in our revenue and gross profit margin as a result of variation orders.

RISK FACTORS

Our imputed interest income derived from amounts due from a related company and a director during the Track Record Period are non-recurring in nature and we may not be able to record similar income, which may materially and adversely affect our financial results.

During the Track Record Period, we had recognised imputed interest income on advances to a related company and a director under IFRS. However, such imputed interest income is only an accounting income under IFRS and had not resulted in actual cash receipts during the Track Record Period. For the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, our imputed interest income amounted to approximately MOP17.5 million, MOP19.6 million, MOP21.5 million, MOP11.5 million and nil, respectively. As all the amounts due from a related company and a director had been settled as at the Latest Practicable Date, we will not continue to recognise imputed interest income on advances to a related company and a director upon the Listing. This may affect our financial position, particularly our profit for the year/period. Please refer to the section headed “Financial Information — Results of operation” in this prospectus, for our profit for the year/period (excluding the imputed interest income and listing expenses) that illustrates the effect of, among other things, imputed interest income on our profit for the year/period. The abovementioned income is non-recurring in nature and we may not be able to record similar income in the future, which may materially and adversely affect our financial results.

Mismanagement or delay of our Group’s projects will detrimentally affect our reputation and financial performance

Our Group’s revenue is recognised based on the works completed, and billings are based on monthly progress claims or upon achieving key milestones. Any delay in the completion of a project will therefore affect our billings, revenue, operational cash flows and financial performance. A delay or cancellation of projects could also result in idle or excess manpower resources if replacement projects cannot be secured on a timely basis. A delay in the project can be caused by various factors, such as delay in delivery of raw materials, delay in handover of construction site to us, and other factors that are beyond our Group’s control. In addition, there may be a lapse of time between the completion of existing projects and the commencement of subsequent projects which may adversely affect our Group’s financial performance and financial position. If the delay is caused by our Group, we may be liable to pay liquidated damages to our Group’s contracting parties as stipulated in the contracts and our Group’s reputation and future business opportunities may be detrimentally affected.

Failure to comply with safety measures and procedures on work sites may lead to accidents and hence occurrence of personal injuries, property damage or fatal accidents

Due to the nature of our business, our Group cannot guarantee that our construction workers or third parties at the worksites will comply with the safety measures and procedures during the execution of works. Accidents or mishaps may occur at the worksites for our projects even though our Group has put in place certain safety measures. Any non-compliance with safety measures may result in occurrences of serious personal injuries, property damages or fatal accidents, which may lead to interruption of our Group’s operations and adversely affect our Group’s financial conditions and

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results of operations to the extent that these mishaps are not covered by insurance policies. In 2014, there was one fatal accident on the construction site which our operating subsidiary, SFS Construction Macau, was a fitting-out contractor. A worker was employed by a subcontractor to carry out block wall demolition works and the block wall suddenly collapsed and crashed onto the worker who as a result sustained a fatal injury. For further details, please refer to the section headed “Business — Occupational health and safety matters — Fatal accidents during the Track Record Period” in this prospectus. During the Track Record Period, there were accidents occurred at the work sites for our Group’s projects, details of which are set out in the section headed “Business — Occupational health and safety matters — Accidents during Track Record Period” in this prospectus. There is 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 our subcontractors or workers. In the event that our subcontractors or workers fail to implement safety measures at the work-sites and personal injuries, property damages or fatal accidents occur, litigation may arise which will adversely affect our Group’s reputation and financial position.

Our Group’s success highly depends on the key management and our ability to attract and retain technical and management staff

The growth of our Group depends on the efforts and skills of our key management including Mr. Ip Kin Wa, our executive Director, and the senior management. For details of the background of our Directors and senior management, please refer to the section headed “Directors, Senior Management and Employees” in this prospectus. As such, our future success highly depends on the continuing service of these individuals and the loss of any executive Director or member of the senior management team could have a material adverse effect on our Group’s business if we are unable to find suitable replacements in a timely manner.

Our success also depends on our ability to attract, identify, hire, train and retain technical and management staff with the requisite industry expertise. Competition for such personnel is intense, and any failure to recruit and retain the necessary personnel or the loss of a significant number of staff at any time could adversely affect our Group’s business and prospects.

Failure to obtain and/or renew registration or comply with requirements or changes in relevant rules and regulations governing the construction industry in Macau could materially affect our Group’s business, operations and financial performance

Any company that carries out structural works or fitting-out works in Macau has to be registered with DSSOPT. In particular, our Group is registered with DSSOPT. For further details of the registration requirements, please refer to the section headed “Regulatory Overview” in this prospectus. In the event that our operating subsidiary, SFS Construction Macau, fails to obtain and/or renew the registration for our Group’s construction business, our Group’s operations and financial performance may be adversely impacted. In addition, if there are any material changes in the existing regulatory regime that governs the construction industry in Macau, our Group may incur additional costs in complying with the new requirements or may not be able to meet such requirements at all, which may result in regulatory non-compliances and in turn materially and adversely affect our Group’s business and operations.

RISK FACTORS

Our Group is exposed to disputes, claims or litigations

Our Group is subject to relevant applicable laws, rules and regulations. Please refer to the section headed “Regulatory Overview” in this prospectus for further details. In the event that our Group fails or continues to fail to comply with such laws, rules and regulations, our Group may be liable to prosecution or fines, which may lead to our Group’s inability to maintain and/or renew our licences. Hence, our Group’s operation may be materially and adversely affected.

Furthermore, during the Track Record Period and as at the Latest Practicable Date, our Group was also involved in litigation claims, details of which are set out in the section headed “Business — Litigation, arbitration and potential claims” in this prospectus. There is no assurance that our Group may also be subject to claims in respect of various matters from the customers, suppliers, subcontractors, construction workers and other parties concerned with the projects from time to time. Such claims may include claims for compensation due to late completion of works or delivery of substandard works, disputes relating to late or insufficient payment and claims in respect of personal injuries and labour compensation in relation to works. Any of such claims may cause our Group to incur material costs or losses hence materially and adversely affect our Group’s business, financial condition and results of operations.

Our Group may be liable for any defects in our projects

Our Group generally provides a defect liability period typically ranging from 3 to 24 months for the fitting-out works projects and the structural works projects from the date of practical completion, during which our Group is responsible for rectifying the defects of any work done. For further details, please refer to the section headed “Business — Customers — Key terms of construction contracts” in this prospectus. If any aspects of the projects completed by our Group are found to be defective during the defect liability period, our Group would be responsible to rectify the defects or request the suppliers or subcontractors to do so. If our Group is required to rectify defects during the defect liability period which might result in substantial costs being borne by our Group, in which, our business, financial position, results of operations and prospects could be materially and adversely affected.

Our Group’s insurance coverage may not be sufficient to cover all losses or potential claims which could affect our Group’s business and results of operations

Our employees are insured under the employee’s compensation insurance and we generally maintain office insurance. For our construction projects, either we or our customers maintain employee’s compensation, third party liabilities and/or contractors’ “all risks” insurance on a project-by-project basis and subject to the terms of construction contracts. There is no assurance that the current levels of insurance maintained by our Group 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. If any significant property damage or personal injury occurs 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 forms of economic loss.

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In addition, the insurers will review the policies each year and there is no guarantee that our Group can renew the policies on similar or other acceptable terms or at all. If our Group incurs unexpected losses or losses that far exceed the policy limits, our Group's business, financial position, results of operations and prospects may be materially and adversely affected.

Dividends declared in the past may not be indicative of the dividend policy in the future

A member of our Group declared dividends of MOP284.3 million during the year ended 31 December 2017. Any declaration of dividends proposed by our Directors and the amount of any such dividends will depend on various factors, such as the results of operations, financial condition, future prospects and other factors which our Directors may determine are important. For further details of the dividend policy of our Company, please refer to the section headed "Financial Information — Dividend" in this prospectus. Our Group cannot guarantee if and when dividends will be declared in the future.

The business plan may not be implemented successfully which may adversely affect our Group's prospects

Our Group's future plans as described in the section headed "Future Plans and Use of Proceeds" in this prospectus are based on current intentions and assumptions. The business plan may be hindered by other factors beyond our Group's control, such as the general market conditions, the government policies relevant to fitting-out works or structural works industry in Macau, our Group's ability to maintain existing competitive advantages and the new market entrants and general economic market conditions of Macau. There is no assurance that our Group's business plan can be successfully implemented. Should there be any material adverse changes in the operating environment that lead to the failure by our Group to implement any part of the business plan, our Group's prospects may be adversely affected.

RISKS RELATING TO OUR INDUSTRY IN MACAU

Our Group operates in a competitive industry and failure to compete efficiently could materially and adversely affect our business

Both the structural works industry and fitting-out works industry in Macau have a number of participants and are highly competitive. Some of the major market players have significantly more resources and more well-positioned than our Group, including but not limited to having longer operating history, better financing capabilities and more human resources. New participants may wish to enter the industry provided that they have the appropriate skills, local experience, necessary machinery and equipment, capital and they are granted the requisite licences or approvals by the relevant regulatory bodies. Increased competition may result in lower operating margins and loss of market share, which may adversely affect our profitability and operating results.

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Our Group is dependent on market conditions and trends in the fitting-out and structural works industry in Macau which may change adversely

All of our Group's operations and management are currently located in Macau. The future growth and level of profitability of the fitting-out and structural works industry in Macau are likely to depend primarily upon the continued availability of major construction projects. The nature, extent and timing of such projects will, however, be determined by the interplay of a variety of factors, in particular, the Macau Government's spending patterns on the structural works and fitting-out industry in Macau, the investment of our customers and property developers and the general conditions and prospects of Macau's economy, as well as other unforeseen circumstances, including natural disasters (e.g. typhoon "Hato" in August 2017), outbreak of an epidemic and any other incidents happening in Macau. These factors may also affect the availability of fitting-out and structural works projects from the public sector, private sector or institutional bodies.

There are other numerous factors affecting the fitting-out and structural works industry, including cyclical trends in the economy in general, fluctuations in interest rates and the availability of new projects in both private and public sectors. Should there be any unforeseen circumstances, or a recurrence of recession in Macau, deflation or any changes in the currency policy in Macau, or should the demand for structural works and fitting-out works in Macau deteriorate, our Group's operations and profits could be adversely affected.

Conducting business in Macau involves certain policy risks

Conducting business in Macau involves certain risks, such as changes in Macau governmental policies, changes in Macau laws or regulations or their interpretation, changes in exchange control regulations, potential restrictions on foreign investment and repatriation of capital, measures that may be introduced to control inflation, such as interest rate increases, and changes in the rates or method of taxation. In the event that there is a downturn in the economy of Macau or there are changes in such laws and policies, our Group's business operation and hence financial results and financial position may be severely affected.

Changes in the PRC government's policies on tourism in Macau may have an adverse effect on our business

All of our revenue during the Track Record Period was derived from our business operations in Macau. Our performance and financial condition is therefore dependent on the state of the economy in Macau. In particular, during the Track Record Period, our major customers were mainly hotel and casino owners and main contractors of hotel and casino construction projects.

The PRC citizens from certain cities may apply for a permit under the Individual Visit Scheme to visit Macau and the growth in travel from the PRC to Macau has contributed to the booming tourism and gaming industries, which can be affected by various factors, including policies and measures adopted by the PRC and Macau governments, and number of inbound tourists, the demand for construction works for hotels and casinos may be adversely affected if there are any changes in the

RISK FACTORS

policies of the PRC government and Macau government on tourism in Macau, for example, the tightening of the Individual Visit Scheme. In the event that the downturn in the tourism industry in Macau continues or takes a turn for the worse, our financial condition and results of operations may be materially and adversely affected.

Increased competition faced by casino operators in Macau arising from the PRC government's proposed plan to legalise gambling in Hainan Province may adversely affect our business

During the Track Record Period, most of our major customers were mainly hotel and casino owners and main contractors of hotel and casino construction projects. Accordingly, our financial condition, results of operations and prospects will be affected by the continued availability of major construction projects which will be in turn determined by a variety of factors, including the prevailing economic, political and social conditions of Macau and the PRC. These factors may affect the availability of construction projects from the various sectors in Macau, including the hotel and casino sectors, in the future. There were recent discussions from the PRC government on the proposed plan to legalise gambling in Hainan Province, the PRC. In case gambling in Hainan Province is legalised, the casino operators in Macau (which were our major customers during the Track Record Period) would face intense competition and may divert their resources to Hainan Province which, may possibly slowdown in the growth of the gaming industry in Macau. The slowdown in the gaming industry in Macau may cause the demand for construction projects in Macau to deteriorate. As a result, our business, financial conditions and results of operations may be adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

There may be marketability and possible price and trading volume volatility of the Shares.

The Listing is by way of Global Offering and the Shares have not been listed or allotted on any stock exchange or open market before completion of the Global Offering. There is no assurance that there will be an active trading market of the Shares upon Listing. In addition, the market price of the Shares to be traded on the Stock Exchange may differ from the Offer Price and investors should not treat the Offer Price as an indicator of the market price of the Shares to be traded on Stock Exchange. Upon Listing, the trading volume and market price of the Shares may be affected or influenced by a number of factors from time to time, including but not limited to, the income, profit, and cash flow of our Group, new products, services and/or investments of our Group, changes of senior management of our Group, and general economic conditions. There is no assurance that such factors will or will not occur and it is difficult to quantify the impact on our Group and on the trading volume and market price of the Shares.

RISK FACTORS

Sale or perceived sale of substantial amounts of the Shares in the public market after the Global Offering could adversely affect the prevailing market price of the Shares.

The Shares beneficially owned by the Controlling Shareholders are subject to certain lock-up periods under the Listing Rules and the Underwriting Agreements. There is no assurance that the Controlling Shareholders will not dispose of these Shares following the expiration of the lock-up periods. Sale of a substantial number of the Shares in the public market, or the perception that such sale may occur, could adversely affect the prevailing market price of the Shares.

Our investors' interest as shareholder may be diluted if we raise funds by issuing more shares.

If we raise funds by issuing new equity or new equity-linked securities in order to meet our funding needs in the future, our investors' percentage ownership of our Company may decrease. Additionally, if the new equity that we issue confers preferential rights, such rights may take priority over those rights conferred by our Shares.

As our Company is incorporated in the Cayman Islands, protection of minority Shareholders may be different from those available to shareholders of companies established under the laws of Hong Kong or other jurisdictions.

The corporate affairs of our Company are governed by the Memorandum, the Articles, the Companies Law and the laws of the Cayman Islands. The laws of the Cayman Islands relating to protection of the interests of minority shareholders differ in some respects from those of Hong Kong or other jurisdictions where investors may be located. Such differences may mean that the remedies available to the minority Shareholders may differ from those they would have under the laws of Hong Kong or other jurisdictions. Please refer to paragraph headed "3. Cayman Islands Company Law" in Appendix IV to this prospectus for information on protection of minorities under the laws of the Cayman Islands.

Statistics and facts from governmental source in this prospectus have not been independently verified.

This prospectus includes certain statistics and facts that have been extracted from official sources and publications. Our Company believes that the sources of these statistics and facts are appropriate and we have taken reasonable care in extracting and reproducing such statistics and facts. Our Company has no reason to believe that such statistics and facts are false or misleading or that any fact has been omitted that would render such statistics and facts false or misleading. These statistics and facts from these sources have not been independently verified 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 any other party involved in the Global Offering and therefore, our Company makes no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

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Forward-looking statements contained in this prospectus may prove inaccurate and therefore investors should not place undue reliance on such information.

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors. The forward-looking statements have been made by our Directors after due and careful consideration and are based on numerous fair and reasonable assumptions as to the present and future business strategies of our Group and the development of the environment in which our Group operates. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual financial results, performance or achievements of our Group to be materially different from the anticipated financial results, performance or achievements of our Group expressed or implied by these statements. The actual financial results, performance or achievements of our Group may differ materially from those discussed in this prospectus.

WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules.

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. As the operations of our Group are located in Macau, our Company will not, after the Listing or in the foreseeable future, have sufficient management presence in Hong Kong. Our Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from compliance with Rule 8.12 of the Listing Rules.

In order to ensure that regular communication is maintained between the Stock Exchange and our Company, it is proposed that the following conditions will apply to the waiver sought:

- (a) our Company has appointed (i) two authorised representatives, namely Ms. Athena Lao and Mr. Cheang, pursuant to Rule 3.05 of the Listing Rules, who will act as the principal channel of communication with the Stock Exchange, and (ii) Mr. Lai Yang Chau, Eugene as an alternate authorised representative to Mr. Cheang;
- (b) the authorised representatives and the alternate authorised representative of our Company have the mobile phone number, office phone number, email address and facsimile number of all the Directors and can contact all the Directors promptly at all times as and when the Stock Exchange wishes to contact the Directors on any matter;
- (c) all of our Directors who are not ordinarily resident in Hong Kong possess valid travel documents and have free access to Hong Kong and can meet with the Stock Exchange within a reasonable period of time;
- (d) we have appointed Southwest HK Capital as its compliance adviser (“**Compliance Adviser**”) pursuant to Rule 3A.19 of the Listing Rules, who will, among others, act as our additional communication channel with the Stock Exchange for a period commencing from the Listing Date and ending on the date on which we distribute the annual report for the first full financial year after the Listing Date in accordance with Rule 13.46 of the Listing Rules. The Compliance Adviser will provide professional advice to us on continuous compliance with the Listing Rules. We will ensure that the Compliance Adviser has prompt access to our authorised representatives and our Directors who will provide the Compliance Adviser with such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser’s duties; and
- (e) each of our Directors, the authorised representatives and alternate authorised representative will provide his/her mobile phone number, office phone number, email address and facsimile number to the Stock Exchange to ensure that he will be readily contactable as and when necessary to deal promptly with enquiries from the Stock Exchange.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

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

UNDERWRITING

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

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

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

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON SALE OF OFFER SHARES

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

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

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

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

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

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

REGISTER OF MEMBERS AND STAMP DUTY

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering will be registered on our Company's branch register of members to be maintained in Hong Kong by Boardroom Share Registrars (HK) Limited. Our Company's principal register of members will be maintained by our Company's principal share registrar in the Cayman Islands, Estera Trust (Cayman) Limited.

The Shares are freely transferrable. Only securities registered on the branch register of member of our Company kept in Hong Kong may be traded on Main Board unless the Stock Exchange otherwise agrees.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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.

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

The current rate of stamp duty in Hong Kong is 0.2% of the consideration or, if higher, the value of our Shares being sold or transferred.

PROFESSIONAL TAX ADVICE RECOMMENDED

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

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

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

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

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

COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on the Stock Exchange are expected to commence at 9:00 a.m. on Monday, 10 September 2018. Our Shares will be traded in board lots of 5,000 Shares each.

The stock code of the Shares is 1615.

CURRENCY TRANSLATIONS

Unless the context requires otherwise, translation of RMB into HK\$ and MOP into HK\$ is made in this prospectus, for illustration purpose only, at the rates of RMB1.0 = HK\$1.25 and MOP1.0315 = HK\$1.0. No representation is made that any amount in HK\$, RMB or MOP could have been or could be converted at the above rate or at any other rate or at all.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

LANGUAGE

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

ROUNDING

Certain monetary amounts and percentage figures included in this prospectus have been subject to rounding adjustments or have been rounded to one or two decimal places; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

OFFER SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

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

STABILISATION AND OVER-ALLOTMENT

In connection with the Global Offering, the Stabilising Manager or any person acting for it, on behalf of the Underwriters may over-allot Shares or effect any other transactions with a view to stabilising and maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the date of Listing. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising action.

In connection with the Global Offering, our Company is expected to grant to the International Underwriters the Over-allotment Option, which is exercisable in full or in part by the Joint Global Coordinators (on behalf of the International Underwriters) up to (and including) the date which is the 30th day after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, our Company may be required to issue at the Offer Price up to an aggregate of 22,500,000 Shares, representing 15.0% of the total number of Offer Shares initially available under the Global Offering, to cover over-allocations in the International Placing, if any.

Further details with respect to stabilisation and the Over-allotment Option are set out in the section headed “Structure and Conditions of the Global Offering — Stabilisation and over-allotment” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Lao Chio Seng (劉朝盛)	Rua de Seng Tou No. 537 Edf. Nova Taipa Garden Block 31, 33 Andar G Macau	Chinese (Permanent resident of Macau)
Lao Chao U (劉秋瑜)	Rua de Seng Tou No. 537 Edf. Nova Taipa Garden Block 31, 37 Andar G Macau	Chinese (Permanent resident of Macau)
Lao Ka U (劉家裕)	Rua de Coimbra Nova City Torre 9 14 Andar B Macau	Chinese (Permanent resident of Macau)
Cheang Iek Wai (鄭益偉)	Rua de Seng Tou No. 537 Edf. Nova Taipa Garden Block 31, 37 Andar G Macau	Chinese (Permanent resident of Macau)
Ip Kin Wa (葉建華)	Avenida de Horte e Costa No. 55 Ed. Grand Oceania 13 Andar C Macau	Chinese (Permanent resident of Macau)
<i>Independent non-executive Directors</i>		
Chu Yat Pang Terry (朱逸鵬)	TS-28A, House 28 Forest Hill 31 Lo Fai Road Tai Po, New Territories Hong Kong	Chinese (Permanent resident of Hong Kong)
Law Wang Chak Waltery (羅宏澤)	Flat B, 9th Floor Elegant Garden 18 Babington Path Mid Levels Hong Kong	Chinese (Permanent resident of Hong Kong)
Choy Wai Shek, Raymond, <i>MH, JP</i> (蔡偉石, 榮譽勳章, 太平紳士)	Room 5A, 5/F Fuk Lee Building 1-7 Shell Street North Point Hong Kong	Chinese (Permanent resident of Hong Kong)

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

Southwest Securities (HK) Capital Limited

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

40/F., Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Joint Global Coordinators

Southwest Securities (HK) Brokerage Limited

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

40/F., Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Sinolink Securities (Hong Kong) Company Limited

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

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

China Investment Securities International Brokerage Limited

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

Unit Nos. 7701A & 05B-08
Level 77 International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Bookrunners

Southwest Securities (HK) Brokerage Limited

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

40/F., Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Sinolink Securities (Hong Kong) Company Limited

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

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

China Investment Securities International Brokerage Limited

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

Unit Nos. 7701A & 05B-08
Level 77 International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Haitong International Securities Company Limited

A corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities), 3 (leveraged foreign exchange trading) and 4 (advising on Securities) regulated activities (as defined in the SFO)

22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Lead Managers

Southwest Securities (HK) Brokerage Limited

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

40/F., Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

Sinolink Securities (Hong Kong) Company Limited

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

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

China Investment Securities International Brokerage Limited

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

Unit Nos. 7701A & 05B-08
Level 77 International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Haitong International Securities Company Limited

A corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities), 3 (leveraged foreign exchange trading) and 4 (advising on Securities) regulated activities (as defined in the SFO)

22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

BMI Securities Limited

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

Units 909-916
Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

Legal advisers to our Company

as to Hong Kong law:

Stephenson Harwood

Solicitors, Hong Kong
18th Floor, United Centre
95 Queensway
Hong Kong

as to Macau law:

C & C Lawyers

Macau attorneys-at-law
Av. da Praia Grande 759
3-5/Floors
Macau

as to Cayman Islands law:

Appleby

Cayman Islands attorneys-at-law
2206-19
Jardine House
1 Connaught Place
Central
Hong Kong

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

as to Hong Kong law:

Kwok Yih & Chan

Solicitors, Hong Kong
Suites 2103-05, 21st Floor
9 Queen's Road Central
Hong Kong

Auditors and reporting accountants

Deloitte Touche Tohmatsu

Certified Public Accountants
35/F, One Pacific Place
88 Queensway
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Industry Consultant**Frost & Sullivan International Limited**

Unit 08, 26/F
No.9 Queen's Road Central
Hong Kong

Property Valuer**Savills (Macau) Limited**

Suite 1309-1310
13/F, Macau Landmark
555 Avendia da Amizade
Macau

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

1 Garden Road
Hong Kong

CORPORATE INFORMATION

Registered office	PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in Macau	10th Floor Edf. Comercial I Tak No. 126, Rua De Pequim Macau
Principal place of business in Hong Kong	18th Floor, United Centre 95 Queensway Hong Kong
Company's website address	www.abbuildersgroup.com <i>(information on this website does not form part of this prospectus)</i>
Company secretary	Lai Yang Chau, Eugene (<i>practising solicitor</i>) House 38, Gingko Drive The Green, 338 Fan Kam Road Sheung Shui New Territories Hong Kong
Authorised representatives	Lao Chao U Rua de Seng Tou No. 537 Edf. Nova Taipa Garden Block 31, 37 Andar G Macau Cheang Iek Wai Rua de Seng Tou No. 537 Edf. Nova Taipa Garden Block 31, 37 Andar G Macau
Alternate authorised representative to Cheang Iek Wai	Lai Yang Chau, Eugene House 38, Gingko Drive The Green, 338 Fan Kam Road Sheung Shui New Territories Hong Kong
Compliance adviser	Southwest Securities (HK) Capital Limited

CORPORATE INFORMATION

Audit committee	Law Wang Chak Waltery (<i>Chairman</i>) Chu Yat Pang Terry Choy Wai Shek, Raymond, <i>MH, JP</i>
Remuneration committee	Chu Yat Pang Terry (<i>Chairman</i>) Lao Chao U Choy Wai Shek, Raymond, <i>MH, JP</i>
Nomination committee	Choy Wai Shek, Raymond, <i>MH, JP</i> (<i>Chairman</i>) Law Wang Chak Waltery Cheang Iek Wai
Principal Share Registrar and Transfer Agent	Estera Trust (Cayman) Limited PO Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
Hong Kong Branch Share Registrar and Transfer Office	Boardroom Share Registrars (HK) Limited 2103B, 21/F, 148 Electric Road North Point Hong Kong
Principal banks	Luso International Banking Ltd. Avenida Dr. Mario Soares, No.47 Macau Banco Nacional Ultramarino, S.A. Avenida Almeida Ribeiro, No.22 Macau Industrial and Commercial Bank of China (Macau) Limited 16/F, ICBC Tower, Macau Landmark 555 Avenidada Amizada Macau Bank of China Limited, Macau Branch Bank of China Building Avenida Doutor Mario Soares Macau

INDUSTRY OVERVIEW

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, or any of our or their respective directors, officers or representatives or any other person involved in the Global Offering other than Frost & Sullivan nor is any representation given as to its accuracy or completeness. Accordingly, you should not place undue reliance on such information or statistics.

REPORT COMMISSIONED FROM FROST & SULLIVAN

We commissioned Frost & Sullivan, an independent market research consultant, to conduct an analysis of, and to prepare a report on, among other things, the Macau superstructure, substructure and fitting-out works industry for the period from 2012 to 2022. We paid Frost & Sullivan a fee of HK\$720,000, we believe that it reflects market rates for reports of this type. Founded in 1961, Frost & Sullivan has more than 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally.

We have included certain information from the Frost & Sullivan Report in this prospectus because we believe this information facilitates an understanding of Macau superstructure and substructure works and fitting-out industry for the prospective investors. The Frost & Sullivan Report includes information on Macau superstructure and substructure works, and fitting-out industry as well as other economic data, which have been quoted in the prospectus. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the Macau structural works and fitting-out industry. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government publications and other publications. Our Directors confirm that, after taking reasonable care, they are not aware of any adverse change in market information since the date of the Frost & Sullivan Report which may qualify, contradict or adversely impact the quality of the information in this section.

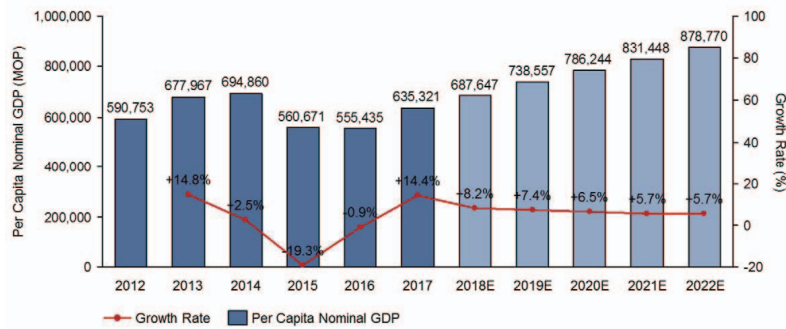
In compiling and preparing the research, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the stable and healthy development of the Macau structural works and fitting-out industry. Frost & Sullivan has developed its forecast on the following bases and assumptions: Macau's social, economic and political environment is likely to remain stable in the forecast period and key industry drivers including continuous increase in hotels and resorts construction, supportive policies for territory development and tourism industry are likely to continue to affect the market over the forecast period from 2018 to 2022. Additionally, structural works and fitting-out works industry are expected to grow based on the macroeconomic assumptions of the economy.

OVERVIEW OF MACROECONOMIC ENVIRONMENT IN MACAU

Nominal GDP per capita

Macau had demonstrated a robust growth in per capita nominal GDP from 2012 to 2014 due to booming gaming and tourism industries. In 2015, with the implementation of anti-corruption initiatives by PRC Government, the gaming and tourism performance was affected, leading to a drop in nominal GDP in Macau. However, with the continuous development and recovery of gaming and tourism industries and, according to International Monetary Fund (IMF), per capita nominal GDP in Macau is anticipated to grow gradually at a CAGR of 6.7% during 2017 to 2022.

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Source: International Monetary Fund (“IMF”), Frost & Sullivan

OVERVIEW OF CONSTRUCTION WORKS INDUSTRY IN MACAU

Introduction of Construction Works

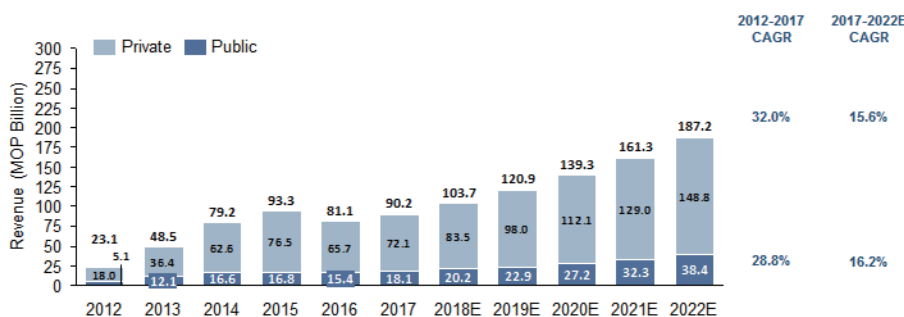
Construction works could be generally grouped as site preparation, construction of buildings (including structural works), civil engineering, building services and building finishing (including fitting-out works). Structural works covers superstructure works and substructure works. Superstructure works cover the construction of upper extension of a structure (e.g. building) located above the ground level while substructure works focus on building the structure below the ground level including basement and foundation works. Construction of buildings including structural works generally requires more specialised machinery and equipment than other construction works. In general, main contractors are directly engaged by the property developers or the landlord and to oversee the progress of construction projects, while subcontractors refer to those contractors engaged by higher level of contractors (e.g. main contractors) that are specialised in certain construction works (e.g. substructure, superstructure, fitting-out etc.). For some large-scale projects, developers may engage multiple main-contractors and higher level subcontractors. Such arrangement is not uncommon in the construction industry.

Construction Work Done and Other Receipts

With the strong demand for building construction due to booming tourism and gaming industries, the value of construction work done had increased significantly from approximately MOP23.1 billion in 2012 to approximately MOP79.2 billion in 2014. The dramatic increase during 2013 to 2014 was primarily due to the numbers of construction of new casinos and hotels in Macau. Following the significant growth during 2012 to 2014, the growth rate of construction works done value recorded a decline of a year-on-year growth of approximately 17.8% and -13.1% respectively in 2015 and 2016 from approximately 63.3% in 2014.

Despite the downturn in Macau gaming industry in 2015 and 2016, the Macau government has launched various promotional campaigns and related policies to support tourism industry. Meanwhile, the completion of Hong Kong — Zhuhai — Macau Bridge in the coming years is expected to promote the development in Macau, including the construction of new shopping malls, commercial areas and casinos. Moreover, development of the New Urban Zone, a huge land reclamation project in Macau spanning over approximately 2.8 square miles and expected to add over 12% of land and for city use as highlighted in the Macau 2017 Policy Address (the “**Policy Address**”) is recognised as a key driver to the construction industry. Furthermore, the development of hotels and resorts from private sector is still ongoing. Hence, it is expected that the construction market of Macau will continue to grow at a CAGR of approximately 15.7% from 2017 to 2022, reaching approximately MOP187.2 billion in 2022.

Value of Construction Work Done and Other Receipts (Macau), 2012-2022E



INDUSTRY OVERVIEW

Source: Macau Statistics Department; Frost & Sullivan

The expected growth of value of construction market in Macau is mainly attributable to the following factors:

Policies in building of integrated resort city

In 2016, the 13th Five Year Plan of China has further reassured positioning Macau as the World Centre of Tourism and Leisure to foster the development of Macau as a city for leisure tourism, enhance the overall development of the tourism industry, and promote new development of cultural tourism. Apart from gambling, the city is being built as the world class destination that has a diversity of tourism products, accommodation options, cultural facilities, retail shops, and events.

For instance, the third and fourth phases of the Galaxy Macau resort focused on non-gaming features and were primarily targeting MICE (meetings, incentives, conferences, and exhibitions) to introduce Macau as a new destination for convention and meetings for businessmen.

On the other hand, the completion of The Parisian Macau, Sands China's Cotai Strip development brought in non-gaming features such as 12,000 hotel rooms, nearly 1.7 million square feet of MICE space, approximately 1.9 million square feet of retail malls, theaters and other amenities. To achieve these objectives, the regional seamless transportation is required to connect the Pearl River Delta and other inland cities in China through high speed railway networks, such as the construction of Hong Kong-Zhuhai Macau Bridge.

Supportive policies are being formulated in upgrading the amenities of all cross border facilities, supporting facilities of tourist hotspots (including transport, public space and shopping areas) and other attractions through coordinated urban planning, renovation of museums, hosting of cultural performances at tourist attractions and international sports events with regional cities, as well as construction of international theme park. The increasing number of projects is forecasted to give a rise to the construction works.

Major Projects in the pipelines

The Macau New Urban Zone, which is divided into 5 zones, is a huge land reclamation project in Macau, spanning over approximately 2.8 square miles. If all goes according to the plan, it will add more than 12% land area for city use, including that for public housing projects, green space, and etc. In particular, Zones A and B are expected to supply 32,000 housing units and 2,000 housing units respectively while Zones C, D and E will supply in total 20,000 housing units.

	Total area (Hectare)	Housing units	Resident population
Zone A	138	32,000	96,000
Zone B	49	2,000	6,000
Zones C, D and E	163	20,000	60,000

Source: Consultation Paper from Land, Public Works and Transportation Bureau of Macau, 2015

As outlined in the Policy Address 2018, there are approximately 61 construction projects in public sector, each with an estimated construction cost or contract sum over MOP100 million in 2018. Below sets out the forthcoming key construction projects with expected construction cost over MOP100 million in 2018, according to the Macau Policy Address 2018:

Bureau / Department	Project
The Land, Public Works and Transport Bureau (土地工務運輸局)	Corpo de Bombeiros Headquarters and Coloane Mobile Station (消防局總部暨路環行動站)
	Corpo de Policia de Seguranca Publica Cotai Vehicle Detention Center (治安警察局路氹扣車中心)
	Public Prosecution Office Buildings Superstructure (Phase 2)(Rodrigues) (澳門檢察院大樓上蓋(第二期)(羅理基))
	Seac Pai Van Reservoir Construction, Walkway and Social Amenities (石排灣水庫建造行人道及休憩設施)
	Tribunal de Recurso Final-Office Building (Novos Aterros Urbanos Zone B) (終審法院-辦公大樓(新城B區))

INDUSTRY OVERVIEW

Source: Policy Address 2018

As set out in the Policy Address 2017, the Macau government has put emphasis on the development of tourism industry, such as hotels, theme park and shopping malls. In particular, the major hotel and casinos projects are highlighted, namely, Lisboa Palace, The 13, City of Dreams Fifth Hotel Tower and MGM Cotai. It is expected that they would contribute to the development of the construction market in Macau.

Project	Approximate Development area (thousand Sq meter)	Approximate investment in total (MOP billion)	Estimated Year of Completion
City of Dreams Fifth Hotel Tower (新濠天地第五棟酒店大樓)	150.0	7.8	2018
The 13 (「十三第」酒店)	87.8	12.5	2018
Lisboa Palace (上葡京)	500.0	36.0	2018
Galaxy Macau Phase 3 & 4 (銀河第三及四期)	975.5	43.0	2019

Source: Frost & Sullivan

Other potential hotel and casino projects include (i) construction of The Londoner Macao (倫敦人) as part of extension of Sands Cotai (金沙城擴建) with total investment over USD1.1 billion during 2018 to 2021, (ii) Studio City Macau Phase 2 (新濠影匯二期) and (iii) Wynn Palace Phase 2 (永利皇宮第二期).

Market Drivers of Construction Works in Macau

Expediting the Development of a Liveable City. The Macau Government announced the draft of its Five-Year Development Plan (2016-2020) to address the initiatives of maintenance of stable development, promotion of balanced and coordinated socio-economic development and the sharing among the community of the fruits of development achieved by these concerted efforts, as well as the promotion of Smart City. In the future development of Macau, the government will leverage the effective use of land, waters, and historic and cultural resources. It is planned that scientific assessment on the development scale and functions of Macao peninsula, Taipa, Coloane and the new urban reclamation area, maintain proper relations between the new and old urban areas, and optimise the urban spatial layout. The 38 pieces of land with a total area of 285,911 m², which had not been developed on schedule or completed within the deadline, were revoked at the end of June 2016. Resumed land with a total area of 84,700 m² includes three lots: Avenida Wai Long, Estrada Pac On and Zone 6 of NAPE. Upon completion of the relevant procedures, other resumed land will be available for further use and become the foundation of the establishment of a land reserve. Besides, the reclamation land of the New Urban Zone will also be added to the land resources for future development of the whole construction market.

Accelerated Urban Development. As set out in the Policy Address, the Macau government plans to establish the Macau New Urban Zone with 5 districts under land reclamation and is expected to provide approximately 54,000 housing units in total. In addition, the Avenida Wai Long public housing project is expected to provide additional public housing units as well as promote the construction of public amenities in short-to-medium term. Thus, the planned development is expected to underpin the growth of public construction market in Macau.

Continued Investment in Public Infrastructure. Going forward, the infrastructure development in Macau, that is the Hong Kong-Zhuhai-Macau Bridge, presents the growing opportunities for tourism in the future by further completing the regional transportation system. It is one of the major infrastructure projects to link the west side of Hong Kong to Macau and the city of Zhuhai in Guangdong province. Economic benefits alongside the expected increase in tourists would act as the driver to revitalise the property market and as a result of the infrastructure development. The bridge would facilitate people and goods movements in the region, which in turn benefit the trade, logistics and tourism. Instead of competition, Hong Kong, Macau and Zhuhai would only complement each other but also upgrade the regional tourism industry, thorough benefiting from the rising total number of visitors. The needs for buildings and facilities, as well as the demand for public infrastructure, serve as the driver to the construction market in Macau.

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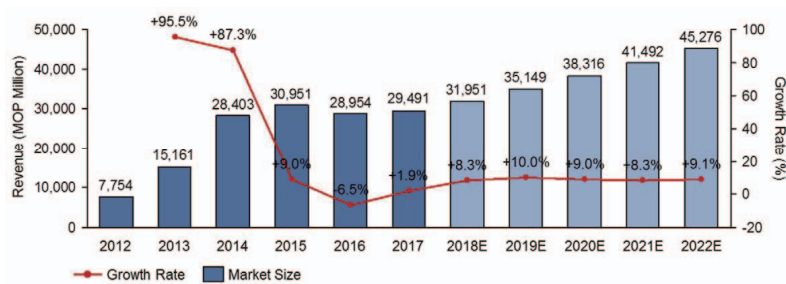
OVERVIEW OF SUPERSTRUCTURE AND SUBSTRUCTURE WORKS INDUSTRY IN MACAU

Market Size of the Superstructure Works in Macau

The superstructure works market in Macau has demonstrated a substantial growth from 2012 to 2015. The strong growth in historical period was mainly attributable to the commencement of key development projects, in particular the new construction of casinos and hotels during 2013 to 2014 when a higher year on year growth was revealed. The year-on-year growth rate of the revenue of superstructure works has dropped significantly from approximately 87.3% in 2014 to approximately 9.0% in 2015 and has decreased to approximately 6.5% during the period of 2015 to 2016 with moderate growth in 2017 as a number of sizable structural works projects, in particular in casino and hotel sector such as Parisian Macao Hotel, had reached their final stage or had completed, remaining the smaller-scale projects in the pipeline. However, driven by the planned construction of new hotels from 2018 onwards and development of residential area, the year-on-year growth of market size of superstructure works is expected to recover during 2018 to 2022 with an expected year-on-year growth rate of approximately 8.3% in 2018.

In general, with the potential renovation and new building construction projects as well as planned new urban zone development in Macau, it is estimated that the superstructure works market in Macau will likely to grow continuously during 2017 to 2022, reaching approximately MOP45.3 billion in 2022.

Market size of superstructure works by revenue (Macau), 2012-2022E

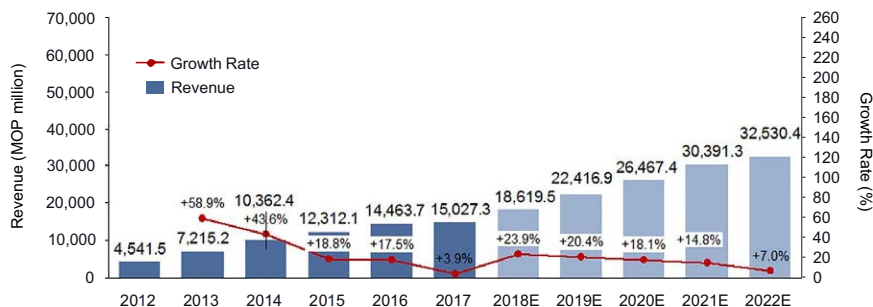


Source: Frost & Sullivan

Market Size of Substructure Works in Macau

The market size of substructure works in Macau has grown from 2012 to 2017, representing a CAGR of 27.0%. The rapid growth was attributable to the surge in planned building construction. Meanwhile, the year-on-year growth rate has dropped from approximately 43.6% in 2014 to approximately 18.8% in 2015 as a number of sizable substructure works in Macau had reached their final stage or had completed. However, with the future development of new casinos, hotels and residential buildings, the market size of substructure works is expected to recover and grow at a CAGR of 16.7% during 2017 to 2022 with an expected year-on-year growth rate of approximately 23.9% in 2018.

Market Size of Substructure Works by Revenue (Macau), 2012-2022E



Source: Frost & Sullivan

Key Market Drivers of Superstructure and Substructure Works in Macau

Development of non-gaming attractions. The 13th Five Year Plan of China for 2016-2020 has further reassured the positioning of Macau as the World Centre of Tourism and Leisure. It fosters the development of Macau as a city for leisure tourism, enhances the overall development of the tourism

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industry, and promotes new development of cultural tourism. Apart from the gaming industry, the city is being built as a world class destination that has a diversity of tourism products, accommodation options, cultural facilities, retail shops, and various events. For instance, the construction of third and fourth phases of the Galaxy Macau Resort focused on building in non-gaming features and primarily targeting construction of MICE (meetings, incentives, conferences, and exhibitions) to introduce Macau as a new destination for convention and meetings for businessmen.

Demand for infrastructure and building development. To strengthen the cross-border connection, a regional seamless transportation is required to connect the Pearl River Delta and other inland cities in China through high speed railway networks, such as the construction of the Hong Kong-Zhuhai-Macau Bridge. Supportive policies are being formulated in upgrading the amenities of all cross border facilities, supporting facilities of tourist hotspots (including transport, public spaces and shopping areas) and other attractions through coordinated urban planning, renovation of museums, hosting of cultural performances at tourist attractions and international sports events with regional cities, as well as construction of international theme park. The increasing number of construction projects is forecasted to give a rise to the needs for superstructure and substructure works in Macau and would require more machinery and equipment investment.

Strong support from the Macau Government for building construction in public sector. The Policy Address sets out development plans for various areas in the region, which covers buildings in public sectors including construction of healthcare facilities and the new Macao Central Library. On the other hand, the Policy Address highlighted the supply of approximately 12,600 and 32,000 public housing units in short-to-medium term planning and long-term planning respectively in New Urban Zone Area A located in the eastern side from outer Harbour Ferry Terminal to the north end of Avenida da Ponte de Amizade. It also highlighted the supply of approximately 2,000 public housing units in Zone B and a total of 20,000 housing units in Zone C, D and E. Furthermore, the Macau Government has put an emphasis on development of tourism industry, in particular the budget hotels, theme parks and integrated shopping malls. The comprehensive planned development will serve as a key driver to structural works market in Macau.

Planned construction of hotels and resorts in Macau. Some large-scale projects in Macau are expected to be in the pipeline in the coming years, including Galaxy Macau Phase 3 and 4 in Macau during 2018 to 2019 and planned extension such as Wynn Palace Phase 2, Extension of Sands Cotai and Studio City Macau Phase 2. Thus, despite the slowdown of market growth during the period of 2015 to 2017, the ongoing development projects for hotels and resorts from 2018 onwards would increase the demand for building construction including superstructure works and revenue driving up the future growth rate.

Market Trend of Superstructure and Substructure Works in Macau

Increasing Collaboration of Contractors. Due to rising complexity of building design, strict requirement towards quality of construction and tight project timeline, multiple levels of sub-contracting is not uncommon in construction industry in Macau. Such practice offers benefits in different aspects including better division of labour and extended working capability for specialised works in order to meet the building requirements. In particular, contractors for superstructure works are often partnered with contractors for substructure, fitting-out and finishing works hence creating more tender opportunities for the construction chain.

Growing Environmental Awareness. As a key goal to achieve environmental protection, the Macau Government is reviewing the current measures of environment assessment as well as waste management and plan to improve environmental assessment work. Also, the Macau Government is expected to strengthen the cooperation with Guangdong province for inter-regional disposal of inert construction and demolition materials. Thus, the contractors may adopt a more environmental-friendly approach for building construction including the use of recycled materials and precast materials in the future to meet the requirement of environmental protection. It could then minimise construction cost, such as the cost of construction waste handling, etc.

Opportunities and Challenges

Belt-and-Road Initiatives. In December, 2016, the China central government had formally approved Macau's participation in the "Belt-and-Road" Initiatives (the "**Initiatives**"). Under the Initiatives, Macau is expected to cooperate with other regions including Guangdong and Fujian provinces as well as other 60 more countries and regions in the future. Tourism, finance and humanistic care are key aspects in which Macau may participate. Thus, the participation in the Initiatives provides a good opportunity for territory development and building construction like hotels and resorts in Macau. Cooperation in infrastructure development has been recognised as one of the key objectives under the Initiatives. For example, as an intersection point of the "Belt-and-Road" route,

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development of Guangdong-Hong Kong-Macau Greater Bay Area will drive the construction activities for infrastructure development such as bridge, road and port. In addition, construction contractors and stakeholders in Macau may take the opportunities to venture into infrastructure development projects in other foreign countries such as Southeast Asia countries under the Initiatives in future.

Strategic Development in Tourism and Leisure. Tourism remains as the pillar of economy in Macau. The “Macau Tourism Industry Development Master Plan” sets out the goals of achieving sustained growth and diversification of tourism industry as well as target position as the “World Centre of Tourism and Leisure”. Given the various proposed measures and directions contributing to the growth of tourism industry, it is anticipated that more hotels, guesthouses and entertainment facilities will be built in the future and thus support the growth of building construction market and would require more specialised machinery and equipment investment.

Rising Cost of Construction. Labour cost (driven by the supply of skilled labour), cost of construction materials and payment to subcontractors in general building construction had demonstrated an increasing trend during the historical period. The continuous increase in costs has put burden for contractors to undertake the building construction works, particularly for superstructure works which may require multiple subcontractors.

COMPETITIVE LANDSCAPE OF SUPERSTRUCTURE AND SUBSTRUCTURE WORKS MARKET IN MACAU

Overview of Competitive Landscape

According to Macau Statistics Department, the number of establishments in general building construction shows a fluctuation during historical period. The number increased from 88 in 2011 to 109 in 2013 and decreased afterwards to 91 in 2015. The changes may be concurrently driven by entry of new market players and market consolidation which some construction companies are merged to form a larger enterprise.

In terms of revenue, the superstructure works market in Macau is concentrated with an aggregated market share of approximately 28.4% for top three market players, which represented a market value of approximately MOP8.37 billion in 2017. Company A, a subsidiary of a listed company in Australia providing building construction services in Hong Kong and Macau ranked first in the Macau superstructure works market in terms of revenue with a market share of approximately 12.3%, followed by Company B (8.6%), a subsidiary of a Hong Kong listed company and covering construction works in Hong Kong, Macau, PRC and other foreign countries and Company C (7.5%), a main contractor for construction works in Hong Kong and Macau and is a subsidiary of a Hong Kong listed company in 2017. Our Group has an estimated market share of approximately 0.1% in superstructure works market in Macau in 2017. Below sets out the market position of the top three non-Macau-based superstructure works contractors in Macau in 2017.

Top three non-Macau-based superstructure works contractors in terms of revenue, 2017

Ranking	Name	Estimated Revenue (MOP million)	Market Share (%)
1	Company A	3,630.5	12.3%
2	Company B	2,531.7	8.6%
3	Company C	2,210.5	7.5%

Source: Frost & Sullivan

The table below sets forth the market share of top three Macau-based superstructure works contractors (headquartered in Macau and principally engaged in construction works in Macau) in Macau market in terms of revenue in 2017. The top three Macau-based superstructure works contractors accounted for an aggregated market share of approximately 7.6% in Macau superstructure works market in 2017. Company D was the leading Macau-based superstructure works contractor in 2017 with an estimated market share of approximately 4.1% in 2017.

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Top three Macau-based superstructure works contractors in terms of revenue, 2017

Ranking	Name	Estimated Revenue (MOP million)	Market Share (%)
1	Company D (Note 1)	1,200.4	4.1%
2	Company E (Note 2)	593.6	2.0%
3	Company F (Note 3)	451.5	1.5%
	Top Three	2,245.5	7.6%

Notes:

1. Company D is a Macau-based contractor focusing on construction engineering services, house-building engineering, marine works, etc.
2. Company E is a Macau-based main contractor engaged in building and structure construction works in Macau.
3. Company F principally engaged in contracting works for building construction, waterproofing works and steel structure works in Macau.

Substructure works

Substructure works market in Macau is featured with sizable contractors headquartered in Hong Kong and mainland China. As estimated, there are approximately 100 contractors engaged in substructure works in Macau, including higher level contractors and sub-contractors. Sizable substructure works contractors are capable of taking extensive substructure works projects for casinos and residential development while subcontracting to specialised sub-contractors is not uncommon in the industry in Macau. Medium to small-scale contractors in substructure works market generally focus on small scale construction projects or undertake part of the substructure works from main contractors. Key successful factors of market competition include (i) sufficient capital reserve for construction materials and sub-contracting fees, (ii) good stakeholder relationships including developers, main contractors, sub-contractors and suppliers, and (iii) proven track record with successful project experience. Our Group had a market share of approximately 0.01% in substructure works market in Macau in terms of revenue in 2016.

Entry Barriers

Previous job reference and experience are recognised as key considerations by client of superstructure and substructure works in Macau, while established business relationship and long partnership with key clients (e.g. property developers) whereby on the preferred tender lists of them and are eligible for tender submission is also important to compete in the market. Hence, new entrants without proven track record and established network may need extra effort to acquire business from clients and may not be as competitive as existing market players. Structural works contractors who own machineries such as piling machines, crawler cranes, excavators, sheet piling machines and other equipment are able to engage in specialized, complex projects and able to tender in different kinds of structural works. Self-owned machineries are getting more important to structural works contractors in Macau as the availability of machinery is normally one of the customers' assessment criteria.

Moreover, a sufficient capital reserve is expected prior to commencement of projects for recruitment of workers, purchase of raw materials and payment to subcontractors, in particular for large-scale building projects. Structural works in general also require specialised machinery and equipment. As such, new entrants without financial and technical capability is unlikely to sustain the operation and business.

OVERVIEW OF FITTING-OUT INDUSTRY IN MACAU

Market Size of Fitting-out Industry

Stimulated by the sustained development of gaming and hospitality industries, as well as the steady growth of construction market in Macau, the revenue of fitting-out industry increased rapidly from approximately MOP2,172.6 million in 2012 to approximately MOP7,949.4 million in 2017 at a CAGR of approximately 29.6%. It is forecasted that the revenue of the overall fitting-out market in Macau would climb to approximately MOP12,372.6 billion in 2022, at the CAGR of approximately 9.3%.

Despite the slowdown of the gaming industry in 2015 and 2016, with the launching of promotional campaigns and related supportive policies in boosting tourism, demand for hotels, shopping malls and other hospitality facilities are anticipated to be maintained at a stable level. Given the nature of fitting-out works such as building finishing works, completion of the construction of superstructure works for hotels and casinos serve as the pipeline for the development of fitting-out work. For instance, Galaxy Macau Phase 3&4 and planned extension such as Wynn Palace Phase 2,

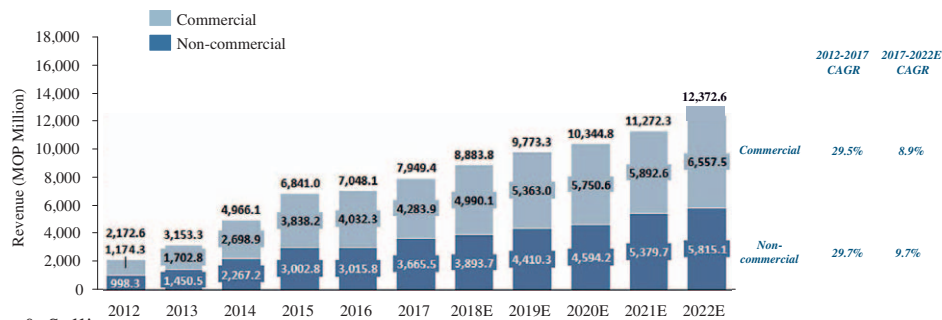
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Extension of Sands Cotai and Studio City Macau Phase 2, are in the pipeline in the coming years. Also the positioning as world centre of tourism and leisure together with impetus from building of integrated city would serve as the new driver to the fitting-out works in the construction and refurbishment of buildings and facilities in the new development model of Macau.

The revenue of fitting-out market in commercial segment increased from MOP1,174.3 million in 2012 to MOP4,283.9 million in 2017, representing a CAGR of 29.5%. In terms of revenue, the fitting-out market in commercial segment took up 53.9% share of the total revenue in 2017. The revenue of the non-commercial segment shows a slower growth, at a CAGR of 29.7% from 2012 to 2017.

The commercial segment is forecasted to keep a steady growth. By the end of 2022, the revenue of fitting-out market in commercial segment is likely to reach MOP 6,557.5 million, with a CAGR of 8.9% during 2017 to 2022.

Revenue of Fitting-out Market Breakdown by Segment (Macau), 2012-2022E



Source: Frost & Sullivan

Key Market Drivers of Fitting-out Industry in Macau

Sustained Demand from Gaming and Hospitality Sectors. Construction of planned hotels and casinos in the coming years such as MGM Cotai, City of Dreams Fifth Hotel Tower, THE13, Lisboa Palace, would act as a driver to the fitting-out works, presenting growth opportunities for the services providers in the industry. In the meantime, the upgrade and maintenance of the casinos and hotels are performed on the regular basis. In addition, renovation of old casinos is expected to take place as some casinos in Macau are long established and regular renovation can help attract tourists. The sustained development of the gaming and hospitality sectors is expected to stimulate the demand for construction industry and the fitting-out works.

Impetus from the Building of Integrated Resort City. Faced with increased competition from other regions, such as Singapore and Manila, and the downturn of gaming revenue, the Macau Government is speeding up the diversification of Macau and to transform Macau into a tourist destination with integrated resorts that embrace more non-gaming features. Non-gaming tourism receipts is expected to be increased from approximately USD6 billion in 2016 to approximately USD13 billion in 2025. The new developments are expected to be more theme-based and more inclined towards the mass segment with entertainment options beyond gaming. The Macau Government has implemented policies in encouraging owners of gaming resorts to promote development of non-gaming attractions for non-gaming tourists. As a result, non-gaming features have accounted for approximately 90% of offerings in newly opened gaming resorts in Macau in 2015 according to the press release of the Macau Government. The development and diversification of these integration resort offerings result in the construction of a wide variety of facilities. In particular, the development on Cotai has resulted in the construction of four integrated resorts, MICE space, additional retail, dining and entertainment facilities and a range of hotel offerings. As a result, the development of non-gaming aspect of the tourism industry will result in a surge in demand for fitting-out works in Macau.

Market Trend of Fitting-out Industry in Macau

Diversification of Business Among the Casino Operators. To avoid the impact of downturn in gaming sector in 2015 and 2016, the Macau Government now pursues business diversification and provides more non-gaming business in the integrated resort of which gaming has accounted for the majority of revenue. As such, new groups of customers from a wider range of places and needs would be attracted and new business opportunities will be presented. The requirements for fitting-out works in Macau are expected to be changed for reshaping the competitive landscape.

Rebounding of Construction Works. Driven by the rebounding tourism and gaming industries in Macau, the needs for high-end hotels, casinos and residential buildings have continuously increased

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and the trend continues in 2016 and 2017. Starting from 2015, Macau's gaming industry has been experiencing a downturn. However, according to the statistics published by Macau Trade and Investment Promotion Institute, the tourism industry in Macau rebounded in 2015 and 2016. With the continuing infrastructure development in Macau, the industry is optimistic about the construction market, including fitting-out works, in Macau.

Opportunities and Challenges

Increasing Expansion of Building Services Providers. An increasing number of fitting-out work contractors begin to expand their business coverage across Mainland China, Hong Kong and Macau to further explore growth opportunities by leveraging the business networks built with the property developers, construction material suppliers and main contractors who has established the footprints in the aforementioned regions.

Transformation of the Tourism Industry. Gaming and tourism sectors have served as the drivers to the boom of construction industry in Macau where the needs for fitting-out works experienced a dramatic increase in recent years. With the policies in transforming the gaming oriented tourism industry to one with diverse development, the demand for fitting-out works in entertainment facilities and cultural amenities is expected to be on the rise, thus creating new stimulant to the fitting-out industry in Macau.

Sustained Rise in Cost of Labour and Raw Materials. Due to the rapid development of the construction industry, the cost of labour and construction materials experienced the sustained increase in recent years. The labour shortage has further raised the wages of construction workers and the fitting-out industry in Macau is no exception. The rising cost together with increasing competition would further decrease the profit margin, exerting pressure on the fitting-out works service providers.

COMPETITIVE LANDSCAPE OF FITTING-OUT MARKET IN MACAU

Overview of Competitive Landscape

In general, the fitting-out industry in Macau is quite competitive, with the presence of Hong Kong-based players holding considerable market shares. In the meantime, the Macau-based companies continue to focus on further strengthening their position as comprehensive fitting-out works service contractors and enlarging market shares. High level of subcontracting is seen in the Macau fitting-out industry where the large-scale projects are outsourced from the main contractors to other subcontractors, based on the skill sets required and schedule of project. The objective of the subcontracting is to optimise the resource deployment, such as, materials procurement and division of labour.

In the commercial segment, the track record in integrated resort projects, especially the projects in relation to the major six casino operators in Macau, is one of the major tendering requirements. The contractors with sound reputation and established track record, diversified expertise and capabilities consistently land the projects from the integrated resort developers, which acts as the driver to the commercial segment in recent years. The Macau fitting-out industry is remarked by the fierce competition that different contractors are appointed from time to time. The success of the leading players is built on the quality of works and systematic project management that are demonstrated continuously in various projects.

In March 2017, there are approximately 150 players in the fitting-out market in Macau, comprising local market players, Hong Kong-based companies and international counterparties. The concentration of level of the Macau fitting-out industry is quite high. By leveraging the long-established relationships with the property developers and integrated resort developers that were built on the proven track record, the major players retain the market leadership and account for the substantial proportion of market shares. Below table sets out the market position of the top five fitting-out works contractors in Macau in 2017.

The fitting-out projects in commercial segment are mainly initiated by the six licensed casino gaming operators who contribute to the majority of market share in terms of revenue. The leading fitting-out contractors have established and maintained stable working relationships with six licensed casino gaming operators in Macau. Sizable fitting-out projects in hotel and casino resort generate a substantial portion of revenue for the industry, especially for the leading fitting-out contractors in Macau. Given the fitting-out market is dominated by the six licensed casino gaming operators, it is common for construction companies in Macau to work with a few customers.

Top five fitting-out works contractors in terms of revenue in Macau, 2017

Ranking	Name	Estimated Revenue (MOP Million)	Market Share (%)
1	Company G	1,223.1	15.4%
2	Company H	332.9	4.2%
3	Company I	297.3	3.7%
4	Company J	210	2.6%
5	Company K	189	2.4%
	Our Group	163.8	2.1%
	Top five	2,252.3	28.3%

INDUSTRY OVERVIEW

Source: Frost & Sullivan

Top five commercial fitting-out works contractors in terms of revenue in Macau, 2017

Ranking	Name	Estimated Revenue (MOP Million)	Market Share (%)
1	Company G (Note 1)	850	19.8%
2	Company H (Note 2)	200	4.7%
3	Company I (Note 3)	187	4.4%
4	Our Group	160.4	3.7%
5	Company J (Note 4)	136.5	3.2%
	Top five subtotal	1,533.9	35.8%
	Others	2,750.0	64.2%

Source: Frost & Sullivan

Notes:

1. Company G is an integrated fitting-out contractor in Hong Kong and Macau, specialising in providing fitting-out works for residential property and hotel projects.
2. Company H was established in Macau in 1980 and provides services of fitting-out works as an integrated fitting-out contractor; construction works as a Main Contractor; and repair and maintenance works, mainly in Macau.
3. Company I is a contractor providing fitting-out and repair and maintenance services in Macau.
4. Company J is a Macau-based fitting-out contractor, specialising in commercial segment.

Entry Barriers

Track record, reputation, long-established business relationship with subcontractors, suppliers, customers and banks, are important for new entrants to fitting-out industry. New entrants without solid experience, track record and established business relationship would find it hard to gain trust from customers, obtain support in materials sourcing, manpower arrangement and sourcing funds.

Fitting-out industry also requires industry expertise and initial capital capacity. New entrants may encounter difficulties in gaining extensive experience, deep industry knowledge and customised solutions offering skills to satisfy customers' specific needs. Failure to make timely payment for works may also delay project schedules and affect their credibility. In addition, construction companies are generally required to issue performance bond as part of the conditions to securing a tender and ensure the contractor's due performance and observance of a contract, in particular for projects with substantial contract sum. The listing status does not necessarily offer the equivalent guarantee to the project owner on the contractors commitment and due performance of the project. It is not uncommon for companies, including listed companies, to be required to pay performance bond / deposit as part of the conditions to securing a tender. Thus, the ability to undertake more construction project and/ or compete for sizable projects hinges on the level and sufficiency of working capital for deployment.

COST ANALYSIS

Payment to Subcontractors

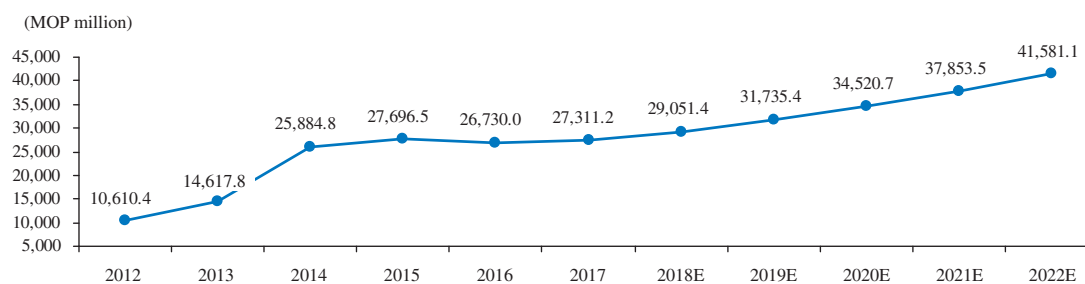
The payment to sub-contractors for general building construction grew significantly from approximately MOP10,610.4 million in 2012 to an estimated value of MOP27,311.2 million in 2017, representing a CAGR of approximately 20.8%. The growth was mainly attributable to the rising labour cost and the demand for sub-contracting works in general building construction.

With the ongoing development and thus continual demand for building construction in Macau, sub-contracting is expected to be a trend in general building construction as well as superstructure works market. It is expected that the payment to sub-contractors for general building construction will maintain a growth rate during 2017 to 2022 at a CAGR of 8.8%.

It is common in the construction industry for a project owner or main contractor to pay on behalf of its contractors/subcontractors for certain expenses in the project, which would be subsequently deducted from its payments to that subcontractor in settling the interim payments and final accounts to the subcontractor. Such payment arrangement is referred to as a "contra-charge arrangement" and the amount involved is referred to as a "contra-charge". With the ongoing development and thus continual demand for building construction in Macau, sub-contracting is expected to remain as a trend in general building construction as well as superstructure works market. Hence, the payment to sub-contractors is likely to maintain a steady growth in the future.

INDUSTRY OVERVIEW

Payment to Sub-contractors for General Building Construction (Macau), 2012-2022E



Source: Macau Statistics Department, Frost & Sullivan

Labour Cost

The average daily wage of fitting-out workers in Macau has risen from approximately MOP572.0 in 2012 to approximately MOP854.0 in 2017, representing a CAGR of 8.3%. Despite the introduction of quota system in importing foreign labour, the prolonged labour shortage and rising demand for fitting-out works from 2012 to 2017 have added to the mismatch between labour supply and demand, leading to the continuous rise of daily wages of fitting-out workers. Given the development of integrated resort and re-positioning of tourism industry, the average daily wage of fitting-out workers in Macau is expected to rise in the future. It is expected that the average daily wage of fitting-out worker would reach MOP1,178.0 in 2022 at the CAGR of 6.7%.

The average daily wage of superstructure works workers in Macau has risen from approximately MOP612.5 in 2012 to approximately MOP860.1 in 2017, representing a CAGR of approximately 7.0%. The continuous rise of average daily wage of superstructure works workers during 2012 to 2017 was mainly due to strong demand for development projects while the slight decline in 2016 was attributable to the completions of some major projects in Cotai.

Construction Material Prices

The pricing trend of consumption of construction materials and supplies (including concrete, steel bars, etc.) as input for general building construction has shown a significant growth from approximately MOP3,353.4 million in 2012 to an estimated value of MOP6,612.8 million in 2017, representing a CAGR of approximately 14.5%. The table below sets forth the price trend of key construction materials for superstructure and fitting-out works in Macau during 2012 to 2022E.

Price trends of construction materials for superstructure and fitting-out works in Macau, 2012-2022E

	MOP/ Unit	2012	2013	2014	2015	2016	2017	2022E	CAGR 2012- 2017	CAGR 2017- 2022E
Round reinforcing steel bar	ton	6,598.0	6,775.0	6,558.3	6,391.5	6,425.0	6,550.0	9,791.2	-0.1%	10.6%
Concrete	m ³	444.0	544.0	666.0	779.3	936.7	804.5	1,656.6	13.1%	19.8%
Ordinary clear sheet glass	m ²	90.2	93.5	95.0	92.2	92.3	93.2	94.6	0.7%	0.4%

Source: Macau Statistics Department, Frost & Sullivan

REGULATORY OVERVIEW

This section sets out summaries of certain aspects of the laws and regulations which are relevant to our Group's operation and business. Our Group mainly provides (i) structural works; and (ii) fitting-out works in Macau.

THE LAWS AND REGULATIONS OF MACAU

The following sets forth a summary of the main regulatory laws applied to our business in Macau.

1. Laws and regulations in relation to licensing regime

The laws directly under the legal framework in relation to construction works are established in accordance with the following laws:

- Decree Law no. 79/85/M — General Regulation on Urban Construction (amended by Administrative Regulation no. 24/2009)
- Decree Law no. 44/91/M — Regulations on Construction Safety and Hygiene
- Decree Law no. 34/93/M — Applicable Legal Regime of Noise at Work
- Decree Law no. 54/94/M — Rules on Prevention and Control of Ambient Noise
- Decree Law no. 24/95/M — Fire Safety Regulation
- Decree Law no. 46/96/M — Regulations on Water Drainage System
- Decree Law no. 47/96/M — Regulations on Land Technology (Regulations on Geotechnical Engineering)
- Decree Law no. 56/96/M — Regulations on Safety and Loading of Building Structure and Bridge Structure)
- Law no. 2/91/M — Macau Environmental Law
- Law no. 8/2014 — Prevention and Control of Environmental Noise
- Decree Law no. 60/96/M — Regulations on the Structure of Reinforced Concrete and Prestressed Concrete
- Decree Law no. 63/96/M — Standard of Cement
- Decree Law no. 64/96/M — Standard of Using Hot Rolled Bars in Reinforced Concrete
- Decree Law no. 32/97/M — Regulations on Soil Retaining and Earthwork Project

REGULATORY OVERVIEW

- Decree Law no. 42/97/M — Standard of Concrete
- Law no. 1/2015 — Regime of Qualification of Urban Architecture

The General Regulation on Urban Construction works approved by Decree Law no. 79/85/M amended by Administrative Regulation no. 24/2009 (the “GRUC”) stipulates the administrative rules governing the process of approval of projects and the licensing and supervision of construction works to be carried out in Macau.

Pursuant to the article 8 and article 3 of GRUC, only a constructor, individual or corporate, registered with DSSOPT may carry out construction works as a main contractor. Furthermore, the contractor who intends to execute construction works must obtain prior approval of the project and the respective licensing from the DSSOPT.

All construction projects, drafts and amendments shall be submitted to the DSSOPT by a technician registered with the mentioned authority. Once the contractor receives the approval of the project from DSSOPT, to proceed with the registration of work and licensing, a signed declaration of full responsibility for the project made by a registered technician for the direction of the works and a signed declaration of the constructor/construction company declaring to be the responsible for the execution of the works, shall be submitted.

The license approval process for construction projects, for the situations stipulated in the GRUC, shall be instructed with the opinions of local authorities or service concessionaries. Amongst the entities that are heard prior to the licensing approval are: the Macau Government Tourist Office in case of industrial activities, hotel industry or similar; the Civic and Municipal Affairs Bureau when the construction includes a waste disposal system; the Macau Corps of Firefighters when the construction of Buildings is between 20.5 and 50 metres height or above 50 metres; and Companhia de Electricidade de Macau (澳門電力股份有限公司) for construction projects.

According to the GRUC, there are some categories of construction works that require a prior notice to DSSOPT instead of obtaining the construction work license:

- i. works for residential unit, which includes all interior alteration, repair and maintenance works that does not alter the use of the unit, the structure or the area, nor a change of entrance openings, walls, facades or windows, water supply or drainage network;
- ii. works for non-residential unit, do not require license but are subjected to a prior notice to the DSSOPT include work in units no larger than 120 square metre that does not alter the purpose and in the area of the units or structure of the building, nor affect the normal operation of the fire prevention system eventually existing in the fractions.

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

REGULATORY OVERVIEW

Construction works executed without license or without the necessary prior notice which are in violation of the provisions of the GRUC, as well as those executed not in accordance with the project plan approved by DSSOPT or in violation of applicable laws or regulations, will be ordered to suspended without prejudice to the application of the penalties provided for in the GRUC and other legislation in force.

In relation to the technicians' qualification in urban architecture, in the Law no. 1/2015 that establishes the regime of qualification of urban architecture (the "RQUA"), the legal requirements for accreditation and registration of architects, landscape architects, engineering or urban planners, requires the individuals and companies to register with DSSOPT in order to carry out the project planning, management or supervision of works. Moreover, civil liability insurance is an essential document for registration and renewal of registration, the applicant must insure it has valid civil liability insurance that underwrites damages caused during formation of plan, project steering or project monitoring.

Pursuant to the mentioned regime, the Committee of Architectural, Engineering and Urban Planning is the entity in charge of such accreditation and registration. All construction technicians must comply with the legal requirements stipulated in the RQUA, and they must be holders of a bachelor degree in the relevant field, be a resident of Macau and have completed the two years full-time or five years part-time internship and pass a qualification exam.

2. Laws and regulations in relation to environmental protection

Legal framework in relation to the employment of environmental protection in Macau is regulated by the following laws:

- Law no. 2/91/M — Macau Environmental Law
- Decree Law no. 35/97/M — The Protection of the Marine Environment from Pollution
- Decree Law no. 46/96/M — Regulations on Water Drainage System
- Law no. 8/2014 — Prevention and Control of Environmental Noise
- Administrative Regulation no. 14/2009 — Organisation and Operation of the Environmental Protection Services Bureau
- Macau Criminal Code

The guidelines and fundamental principles governing environmental policy in Macau are set out in Law no. 2/91/M dated 11 March 1991 which approved the Macau Environmental Law (the "MEL"), seeking to enhance the protection and sustainable development of the environment.

REGULATORY OVERVIEW

As a general principle, under article 3 of MEL, everyone has the right to an ecologically balanced environment, as well as the duty to collectively promote an improved quality of life. Moreover, the Basic Law of Macau also stipulates that Macau shall carry out the protection of the environment in accordance with the law.

In order to achieve those goals, all projects and constructions works which may affect the environment or the health of citizens must be subject to a preliminary study of environmental impact. The approval of the environmental impact study is an essential condition for the licensing of construction works.

To assure the protection of the appropriate quality of the natural environment components, the Macau Government may subject to condition or prohibit the carrying out of certain activities and develop the necessary actions which may include containment and inspection measures taking into consideration a cost and benefit analysis of the economic, social and cultural costs of environmental degradation.

Any violation of the environmental legislation will be subject to civil liability, administrative fines or criminal punishment in accordance with article 268 of the Macau Criminal Code which prescribes for pollution-related crimes, depending on the degree of the violation in question. Furthermore, administrative injunction may be granted in order to cease the environmental infringements.

Regarding noise pollution in particular, Law no. 8/2014 for the Prevention and Control of Environmental Noise (“PCEN”) (which revoked the Decree Law no. 54/94/M), stipulates the rules on prevention and control of environmental noise pollution and sets noise limits.

Pursuant to PCEN, unless otherwise considered as exceptional situations and approved by the relevant Authorities, piling is prohibited during the whole day of Sunday and public holidays, as well as between 20:00 p.m. to 8:00 a.m. during weekdays. Moreover, the use of movable or fixed mechanical equipment is also prohibited in construction works to be carried out within less than 200 metres from residential buildings and hospitals during the mentioned period. It is also prohibited in any construction work, the use of percussive diesel hammer, pneumatic hammer and steam hammer.

In relation to water and marine pollution, the Decree Law no. 46/96/M sets out the technical conditions that must be satisfied in order to ensure the global functioning of the public water distribution system, the preservation of public health, and the safety firefighting water installations. Moreover, the Decree Law no. 35/97/M determines the protection of the marine environment from pollution. The mentioned Decree Law no. 35/97/M regulates the prohibition of discharge of any solid or liquid residues, in particular petroleum or chemical substances, which may pollute marine water, beaches or coastal areas and affect the marine fauna and flora.

The regulatory authority in charge of monitoring environmental protection matters in Macau is the Environment Protection Services Bureau (the “DSPA”), which has promulgated certain environmental protection guidelines in relation to different kind of pollution in connection to construction site, such as renovation, demolition and noise.

REGULATORY OVERVIEW

Pursuant to article 2 of the Administrative Regulation no. 14/2009 (the “**Organisation and Operation of the Environmental Protection Services Bureau**”), the DSPA is the authority responsible for the study, planning execution, coordination and promotion of the environmental policy.

Among the attributions stipulated under the Administrative Regulation no. 14/2009, the DSPA shall cooperate in the definition of environmental policies in Macau; elaborate, implement and coordinate arrangements and actions related to the application of the prevention, control and treatment of environmental pollution regime; prepare projects for the environmental protection, environmental balance and sustainable development; guarantee the interaction of the environmental policy programs, measures and actions organised by the government; study and propose legislative measures regarding environment; guarantee the compliance of environmental legislation; carry out inspections and management of pollution control; assess and decide complaints regarding environment, among others.

To pursuit its mission, the DSPA is divided into several organic sub-units, and each of them have their own attributions.

However, police authorities are also legally entitled to monitor the compliance of regulations, mainly when there is a crime involved.

Under article 268 of the Macau Criminal Code, water, soil, air and sound pollution, constitutes a crime and may be punished with fine or imprisonment depending on the severity of the acts.

3. Laws and regulations in relation to construction safety and hygiene

Legal framework in relation to the employment of construction safety and hygiene in Macau is regulated by the following laws:

- Decree Law no. 44/91/M — General Regulation of Working Safety and Hygiene in the construction industry
- Decree Law no. 67/92/M — The Punishment of the Violation of General Regulation of Working Safety and Hygiene in the construction industry
- Decree Law no. 37/89/M — General Regulation of Working Safety and Hygiene of Office, Service and Commercial establishment
- Decree Law no. 24/95/M — Fire Safety Regulation
- Decree Law no. 34/93/M — Legal Regime of Noise at Work
- Decree Law no. 48/94/M — The Punishment of the Violation of Legal Regime of Noise at Work

The Decree Law no. 44/91/M sets out the regulation in relation to construction safety and hygiene for all civil construction works, machines, tools, gadgets, mechanism and materials used in the works.

REGULATORY OVERVIEW

According with the paragraph 1 of the article 3 of the Decree Law no. 44/91/M, among other requirement, the contractor shall protect the workers' lives, physical integrity and health in the work place; maintain and takes the necessary measures to keep the work place, machinery, gadgets, tools and other working materials in good conditions of safety; provide to workers free protective equipment; clarify the employees of the potential danger situations to which they are subject and how to overcome them by promoting educational actions.

For the purposes of the preceding paragraph, contractors who undertake construction works involving 100 or more workers per day must have a worker who is competent to be in charge of safety duties at the construction site.

The contractor must communicate to the Macau Labour Department (the "DSAL") all work accidents occurred in the work place or during the working time within 24 hours from the event.

Basic statutory requirements for site safety as stipulated in the Decree Law no. 44/91/M with respect to different aspects therein stated, such as general prevention, circulation and maintenance of vehicles and mechanical equipment, lifting devices, and also individual and group safety measures applicable to the workers, must be fulfilled. Non-compliance with the Decree Law no. 44/91/M will lead to administrative fines, the regulatory body in Macau is DSAL.

In respect of working safety and hygiene of commercial establishments, the Decree Law no. 37/89/M regulates about the safety and hygiene issues of office, service and commercial establishment. Moreover, it standardised a series of safety and hygiene standards, in relation to the general conditions of workplace, air, lighting, sanitary, fire protection and so on. Since these stipulations are mandatory provisions and should be executed compulsorily, both, the employer and employee, have no rights to minimise or exclude the dispositions set out in the said regulation.

The Decree Law no. 24/95/M (Fire Safety Regulation) provides regulation aimed to prevent and control fires. This Fire Safety Regulation defines and stipulates the conditions to be met in the construction projects in order to limit the risk and development of fire, slow up the spread and spread to neighbouring buildings, facilitate evacuation of occupants and facilitate intervention of Fire Service staff. Under the Fire Safety Regulation, buildings should be compartmentalised by walls and floors that are fire resistant and hinder the spread of fire. Moreover, the construction materials must have sufficient fire resistance in order to minimise the risk of collapse, particularly during the period of time required for the evacuation of people and the operations of firefighting.

Regarding noise at work, the Decree Law no. 34/93/M aims to protect workers' health against risks arising from the exposure to noise during work. The employer is obliged to provide safe, clean and environmentally friendly working conditions for the employees in line with this Decree Law no. 34/93/M. Failure to comply with the rules may result in the application of fines prescribed in Decree Law no. 48/94/M, the amount of the fines is between MOP1,000 to MOP22,500.

REGULATORY OVERVIEW

4. Laws and regulations in relation to labour related matters

Legal framework in relation to the employment of local and non-resident employees in Macau is regulated by the following laws:

- Law no. 7/2008 — Labour Relations Law
- Decree Law no. 40/95/M — Legal regime of reparation of damages caused by work accidents and occupational diseases
- Decree Law no. 37/89/M — General Regulation of Working Safety and Hygiene of Office
- Decree Law no. 13/91/M — Regulation on Occupational Safety and Hygiene in Commercial Establishment, Office and Labour Establishment
- Law no. 4/2010 — Social Security Regime
- Chief Executive Dispatch no. 142/2016 — Adjustment to Monthly Amounts of Retirement Pension, Disability Allowances and Welfare Subsidies
- Chief Executive Dispatch no. 357/2016 — Contribution Amounts and Respective Contribution Proportions by Employees and Employers
- Administrative Regulation no. 13/2010 — Regulation of the Conditions and Restriction Established in the Authorisation of Employment of Non-resident Workers
- Law no. 21/2009 — Law for the Employment of Non-resident Workers
- Administrative Regulation no. 8/2010 — Regulation of the Law for the Employment of Non-resident Workers
- Administrative Regulation no. 17/2004 — Regulation on Prohibition of Illegal Work
- Decree-Law No. 44/91/M — Regulation on construction safety and hygiene;
- Decree-Law No. 67/92/M — Penalties for violating regulation on construction safety and hygiene;
- Decree-Law No 34/93/M — Occupational noise juridical system;
- Decree-Law No. 48/94/M — Penalties for violating occupational noise juridical system;
- Executive Order No. 237/95/M — Sets out the general conditions and schedule of the Uniform Employees' Compensation Insurance Policy, amended by the Executive Order No. 32/2001.

REGULATORY OVERVIEW

The Law 7/2008 stipulates the basic requirements and working conditions for all labour relations, except for those which have been excluded explicitly therein. In general, such requirements and conditions stipulated are statutory and cannot be prevailed by mutual agreement.

The regulatory authority in charge of monitoring compliance with the labour, safety and insurance regime is the Macau Labour Department, and the DSSOPT with respect to construction sites.

Regarding the employment of non-residents, it is important to note that non-residents of Macau are generally not permitted to work unless a proper work permit has been obtained.

The employment of such workers is subject to the strict regulation stated in Law no. 21/2009, which sets out the terms for granting and renewing work permits for non-resident workers, determines measures to ensure the equal treatment of Macau residents and non-resident workers and stipulates minimum contract terms and limits on the duration of employment contracts with non-resident employees.

Pursuant to the provisions in the Law no. 21/2009, before hiring a non-resident worker to work in Macau, permission shall be obtained by the employer in advance by submitting an application to the DSAL. Once approved, the non-resident worker being employed shall apply for an “Authorisation to Stay for Non-resident Workers” and a “Non-resident Worker’s Identification Card” from the Public Security Police Force of Macau before commencing work in Macau. The Law no. 21/2009 provides that the following person are authorised to hire non-resident workers: (1) Macau residents; (2) legal persons with their head-office or an establishment in the Macau; (3) non-residents with a commercial or industrial establishment in Macau.

Non-compliance with the Law no. 21/2009 may constitute administrative offences, which may result in sanction, such as fines and accessory sanctions of revocation of all or part of the authorisations to employ non-resident workers along with the prohibition to request new authorisations for a period of 6 months to 2 years, and or criminal offences related to illegal employment, sanctioned with effective incarceration periods, fines and/or accessory sanctions of (i) revocation of all or part of the authorisations to employ non-resident workers along with the suspension of the right to apply for new permits for a period between 6 months to 2 years; (ii) suspension of the right, for a period of 6 months to 2 years, to participate in public tenders related to public construction works or concessions of public services; and (iii) suspension of the right, for the period of 6 months to 2 years, to receive any subsidies or benefits conferred by Macau public entities.

The Administrative Regulation no. 17/2004 defines the scope of application and clearly indicates that non-resident workers who do not possess the required authorisation to work in Macau will commit illegal work regardless of remuneration involved, save for the exceptional situations set out in the regulation. Besides, workers who are not performing in accordance with their work permits will also commit illegal work.

Violation of the Administrative Regulation no. 17/2004 will lead to the employer being liable to a fine in an amount between MOP10,000 to MOP40,000 for each illegal worker; illegal non-resident worker shall also be liable to a fine in an amount between MOP5,000 to MOP20,000. The mentioned fine shall not exempt their criminal liability according to applicable immigration legislation.

REGULATORY OVERVIEW

Regarding the Social Security, the Law no. 4/2010 sets out the social security system in Macau which aims to provide a basic level of social protection to the residents of Macau, in particular to the elderly, in order to promote their quality of life.

The contribution for social security is divided into two categories: mandatory contribution, for which are responsible both, the employer and the employee; and voluntary contribution, which is freely contributed by the residents who are not employed. Violations of the Law no. 4/2010 will incur in fine. The infringer shall be liable to a fine in an amount between MOP\$200.00 to MOP\$1,000.00; and in case of recidivism, the fine may be increased by one third.

The Decree Law no. 40/95/M together with the Law no. 6/2015 which introduces amendments on the regime of reparation of damages caused by work accidents and occupational diseases, sets out the legal regime with the specific aim to compensate the employee for work accidents and occupational diseases. It provides a comprehensive protection for the employees covering all service industries in Macau. This law is applicable to all employees regardless of the nature of the service provided, except for civil servants, for injuries arising from work accidents and occupational diseases prescribed in the mentioned legislation. Besides, this Decree Law requires employers to have a compulsory accident insurance for employees to ensure that reasonable compensation can be obtained including medical expenses and cash payment. Failure to maintain the insurance under the relevant laws is deemed an administrative offence and shall be subject to a maximum fine of MOP5,000.00 for each employee involved.

5. Regime of Occupational Safety Card for the Construction Industry

Legal framework in relation to the safety card is established in accordance with the following laws:

- Law no. 3/2014 — Occupational Safety Card for the Construction Industry
- Decree-Law no. 44/91/M — General Regulation of Working Safety and Hygiene in the Construction Industry

The Law no. 3/2014 (the “OSCCI”) provides the regime of occupational safety card for the construction industry, aimed to ensure that all individuals participating in the execution of works in civil construction sites or in places where civil construction works are carried out, have the basic knowledge of safety in civil construction works.

Pursuant to paragraph 1 of article 8 of the OSCCI, all individuals participating in the execution of works in construction sites or places where civil construction works are being carried out shall hold a valid occupational safety card for construction industry and should exhibit the mentioned card when required to the inspection personnel of DSAL.

Additionally, according to paragraph 2 of article 8 of the OSCCI, an employer can only hire individuals that hold a valid occupational safety cards for construction industry to work in construction sites or places where civil construction works are carried out.

REGULATORY OVERVIEW

For those who do not participate in the execution of works, can only carry activities in construction sites or places where civil construction works are being carried out, after having knowledge of the potential risks and under supervision of the competent person.

Pursuant to the article 2 of the Decree-Law no. 44/91/M, applicable through the article 9, paragraph 1 of the OSCCI, the competent person should be a technician responsible for the work or whom has been designated by the contractor as the person responsible for specific actions to be carried out in the site, provided that he or she possess the appropriate technical training and experience to meet the obligations that were assigned to him/her.

Individual and collective protective measures should be taken when the mentioned individuals enters in the construction sites or places where civil construction works are carried out. Individual protective measures may include individual protective equipment, safety helmets, safety belt, safety goggles, masks, hearing protector, among others. Some collective protective measures may include the using of railing and kick plates, safety belts, set up of warnings for dangerous areas, among others.

Authorities directly responsible by the management of the civil construction site or places where civil construction works are carried out must proceed, prior to their access to those places, to the identification and registration of the persons mentioned in the previous paragraph, including the date, time, and reason of stay. The mentioned information should be presented to the DSAL when required by inspection personnel.

Violation of provisions stipulated in this Decree-Law will result in the application of fines in an amount between MOP500 to MOP7,500. When the offender is a legal person, the legal person will be jointly and severally liable for any violation by its representatives. The competent authority for the application of fines is the DSAL.

Occupational Safety Card in Civil Construction — Card issuance

The competent authority for the issuance of the occupational safety card for the construction industry (the “**safety card**”) is the DSAL, and the validity of the mentioned safety card is 5 years.

The safety card is granted to those who completed the training course and obtained a satisfactory evaluation by the DSAL or those who have successfully passed the public exams to obtain the safety card.

The training course is composed of 3 parts, theoretical content, practical content and the exam, and is mainly concerned to the norms regarding safety in civil construction works, professional risks and prevention measures, as well as knowledge and practices related to individual protection measures.

REGULATORY OVERVIEW

All Macau residents may enrol simultaneously in the training course and in the public exams. An exception is made for non-residents authorised to stay in Macau to work in civil construction site or places where civil construction works are carried out, where pursuant to article 5, paragraph 2 of the OSCCI, it is expressly forbidden the enrolment, simultaneously, in the training course and in the public exams.

6. Laws and regulations in relation to tax

- Legal framework in relation to complementary income tax is mainly established in accordance with the following laws:
 - Law no. 21/78/M — Complementary Income Tax Regulation
 - Dispatch no. 12/80
 - Dispatch no. 40/90
 - Law no. 15/96/M — Clarification of some tax aspects
 - Dispatch no. 59/GM/97
 - Law no. 12/2003 — Amendments to the Professional Tax Regulation and the Complementary Income Tax Regulation
 - Law no. 4/2005 — Amendments to the Complementary Income Tax Regulation
 - Law no. 16/2017 — Government Budget of Financial Year 2018

The Law no. 21/78/M (the “**RCT**”) sets out the regulation in relation to the complementary tax, which is imposed on the total income earned in Macau by individuals or corporations irrespective of where their residence or headquarters are situated.

For the purpose of this law, the total income will consider the following:

- The total income of an individual is the total of his business profits; or
- The total income of a corporation is its profits derived from commercial and industrial activities.

REGULATORY OVERVIEW

Under the RCT, taxpayers are classified in one of the two groups as follows:

- Group A taxpayers which are taxed on the basis of profits under duly organised accounting records and shall submit tax returns certified by registered accountants or auditors. Group A taxpayers refer to the following business entities:
 - Limited liabilities companies by shares;
 - All forms of business entities that have a share capital of no less than MOP1,000,000 or whose average taxable profit for the previous three consecutive years is higher than MOP500,000; and
 - Those entities who choose to be a Group A taxpayer.
- Group B taxpayers refer to business enterprises which do not fall into Group A. Group B taxpayers shall be taxed on the basis of presumed profits determined by the Finance Bureau.

Regarding the tax rates, according to the Law no. 16/2017 approved by the Macau Government, the tax-free income threshold for complementary tax has been increased from MOP32,000 to MOP600,000 for income derived in the tax year 2017 (taxable income in excess of MOP600,000 is taxed at 12%).

Regarding the tax filing, Group A and Group B taxpayers must file their annual tax return form between 1 April to 30 June and 1 February to 31 March of every year respectively. Payment of tax shall be made by two equal instalments, usually in September and November. However, if the amount is not higher than MOP3,000, payment shall be made by one instalment, usually, in September.

HISTORY AND CORPORATE STRUCTURE

OUR HISTORY AND DEVELOPMENT

Our history can be traced back to 1998 when Mr. Lao, our founder, together with two Independent Third Parties, namely Mr. Su Dehui and Mr. Tang Zengshu, incorporated SFS Construction Macau, our operating subsidiary, to provide structural works and fitting-out works services in Macau. In 2003, Mr. Su Dehui and Mr. Tang Zengshu transferred all their respective shareholding in SFS Construction Macau to Mrs. Lao, the spouse of Mr. Lao. Mr. Lao is also our Chairman, executive Director and Controlling Shareholder. Please refer to the section headed “Directors, Senior Management and Employees — Directors and senior management — Executive Directors” in this prospectus for Mr. Lao’s background.

Soon after the incorporation of SFS Construction Macau, SFS Construction Macau was awarded with its first major project with regard to the roof works of government building in Macau which was completed in 1999.

In 2001, Macau had opened up its locally-controlled casino industry to foreign competition and Macau was transformed into one of the world’s largest gaming centres. As a result, Macau’s economy experienced a rapid expansion, a number of large-scale construction projects such as hotels, casinos, commercial development and major infrastructures were envisaged and subsequently realised. After completion of roof works of government building, our Group had participated in various construction projects in the private sector. One of our important projects was to provide structural works for a hotel and casino located at Avenida de Lisboa, Macau, which we acted as one of the major subcontractors and used “top-down construction method” in the construction process so that the high-rise superstructure works and the substructure works could be carried out at the same time. The project was completed in 2008. Our Group also had been awarded with more construction contracts in Macau, such as a hotel located at Santo António, Macau in 2006 and the department store located at Avenida Comercial de Macau in 2007. Such projects involved various construction works, including structural works and fitting-out works. In 2009, our Group completed the interior fitting-out works of a hotel and casino in Cotai, Macau. Over the years, our Group has undertaken various construction works in Macau, including structural works for hotels, department store and residential properties, and fitting-out works for the entertainment facilities, restaurants, commercial buildings, various hotels and casinos. Please refer to the paragraph headed “Key business milestones” in this section for our other projects.

With an increase in the construction of new hotels and casinos during 2013 and 2014, Our Group had participated in various structural works and fitting-out works for certain high-end hotels and casinos. In 2013 and 2014, we had been awarded with four large-scale structural works contracts for the hotels and casinos in Cotai, Macau. These four structural works projects which contributed to our revenue approximately MOP408.2 million, MOP161.0 million, MOP126.7 million, MOP11.4 million and nil during the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, respectively, had taken up most of the capacity of our Group till the end of 2015. As a number of sizeable hotel and casino structural projects reaching final stage during the period 2015 to 2016 and moving to the next phase of construction, we carried on more fitting-out works to capture the industry demand.

HISTORY AND CORPORATE STRUCTURE

KEY BUSINESS MILESTONES

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

Year	Milestones
1998	— SFS Construction Macau was incorporated in Macau as a limited liability company and commenced business in providing structural works and fitting-out works services in Macau.
1999	— We completed the roof works of the government building.
2006	— We completed the basement, foundation works and structural works of a property that combined residential, hotel and shopping malls together in Macau.
2008	— We completed the superstructure works and foundation works of a hotel-casino complex located at Santo Antonio, Macau. — We completed the convergence works of pedestrian tunnel between two hotels and the structural works of the hotel located at Avenida de Lisboa, Macau.
2009	— We completed the interior fitting-out works of a hotel and casino in Cotai, Macau.
2010	— We completed the construction works of a luxurious residential building in Macau. This was the first residential project undertaken by our Group.
2011	— SFS Construction Hong Kong was incorporated in Hong Kong as a limited liability company. — We completed the basement and superstructure works of a department store in Avenida Comercial de Macau in Macau. — We completed the foundation works of a public housing construction project in Macau. — SFS BVI was incorporated in the BVI with limited liability.
2014	— ISO 9001: 2008 (this standard has been revised by ISO 9001: 2015) certification of quality management system in respect of structural works and fitting-out works projects was first accredited to our Group by Hong Kong Quality Assurance Agency. — We completed five construction projects, including fitting-out works for restaurants in a hotel in Cotai, Macau.
2015	— We completed four construction projects, including structural works of car park area in a hotel in Cotai, Macau.

HISTORY AND CORPORATE STRUCTURE

- 2016 — We completed 10 construction projects, including structural works and fitting-out works for a residential property in Taipa, Macau, and the superstructure works regarding transfer plate in a hotel in Cotai, Macau.
- 2017 — We completed eight construction projects.
- Our Group has been accredited with (i) ISO 9001: 2015 certification of quality management system (construction of buildings and fitting-out works), (ii) ISO 14001: 2015 certification of environmental management system (construction of buildings and fitting-out works) and (iii) OHSAS 18001: 2007 certification of occupational health and safety management system (construction of buildings and fitting-out works).

CORPORATE HISTORY

Our Company was incorporated in the Cayman Islands on 23 February 2017 as an exempted company with limited liability under the Companies Law in anticipation of the Listing. As at the Latest Practicable Date, our Group comprises our Company, SFS BVI, SFS Construction Macau, SFS Construction Hong Kong. The following is a brief corporate history of the establishment and major changes in the shareholdings of the subsidiaries of our Group.

SFS BVI

SFS BVI was incorporated in the BVI with limited liability on 4 August 2011. SFS BVI is authorised to issue a maximum of 50,000 shares of a single class US\$1.00 par value each, of which seven shares and three shares of US\$1.00 each were allotted and issued to Laos International and WHM Holdings, respectively. Upon completion of the said issue and allotment, SFS BVI was owned as to 70% by Laos International and 30% by WHM Holdings.

As part of the Reorganisation, SFS BVI became a direct wholly-owned subsidiary of our Company. Please refer to the paragraph headed “Reorganisation” in this section for further details.

SFS BVI is an investment holding company. It had not carried out any business activities since its incorporation.

SFS Construction Macau

SFS Construction Macau was incorporated in Macau as a limited liability company by quotas on 5 July 1998 with an initial share capital of MOP100,000. As at the date of incorporation, SFS Construction Macau was owned as to 50% by Mr. Lao, 25% by Mr. Su Dehui, and 25% by Mr. Tang Zengshu. Each of Mr. Su Dehui and Mr. Tang Zengshu is an Independent Third Party.

On 24 October 2003, Mr. Su Dehui and Mr. Tang Zengshu transferred all their interests in SFS Construction Macau to Mrs. Lao at MOP25,000 each and the consideration was determined by reference to the nominal value of their respective shares. Immediately after the said share transfer, SFS Construction Macau was owned as to 50% by Mr. Lao and 50% by Mrs. Lao.

HISTORY AND CORPORATE STRUCTURE

On 22 April 2010, Mr. Lao and Mrs. Lao transferred all their interests to San Fong Seng Holdings Limited at the nominal value of their respective shares. Immediately after the said share transfer, SFS Construction Macau was wholly owned by San Fong Seng Holdings Limited, a limited liability company owned as to 70% by Laos International and 30% by WHM Holdings.

On 9 August 2010, the share capital of SFS Construction Macau was increased from MOP100,000 to MOP12,000,000.

On 26 August 2011, San Fong Seng Holdings Limited transferred all its shares in the nominal value of MOP12,000,000, representing the entire share capital of SFS Construction Macau, to SFS BVI at the consideration of MOP12,000,000. Immediately after the said share transfer, SFS Construction Macau became a direct wholly-owned subsidiary of SFS BVI.

SFS Construction Macau commenced business in July 1998 and currently provides construction works services.

SFS Construction Hong Kong

SFS Construction Hong Kong was incorporated in Hong Kong as a limited liability company on 18 March 2011 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. As at the date of incorporation, SFS Construction Hong Kong allotted and issued one share of SFS Construction Hong Kong at par to SFS Construction Macau. Upon completion of the said issue and allotment, SFS Construction Hong Kong was wholly owned by SFS Construction Macau.

SFS Construction Hong Kong had not carried out any business operations since its incorporation.

REORGANISATION

In preparation for the Listing, we underwent the Reorganisation which involved the following main steps:

(1) Disposal of Jiangmen Jinying

Jiangmen Jinying was established in the PRC on 11 April 2011 as a joint venture company, which was owned as to 60% by SFS Construction Macau and 40% by an Independent Third Party. The principal business of Jiangmen Jinying is the provision of construction works in the PRC. Although SFS Construction Macau owned 60% equity interest in Jiangmen Jinying, in accordance with the joint venture agreement and the articles of Jiangmen Jinying, all the decisions of the board could only be made with unanimous consent of both SFS Construction Macau and its joint venture partner. Having considered that the day-to-day operation of Jiangmen Jinying was mainly managed by the joint venture partner and our Group had no absolute control over the jointly-owned entity, we decided to dispose Jiangmen Jinying.

HISTORY AND CORPORATE STRUCTURE

On 22 November 2016, SFS Construction Macau entered into an equity transfer agreement with New Kingdom, pursuant to which SFS Construction Macau disposed of its entire interest in Jiangmen Jinying (representing 60% equity interest in Jiangmen Jinying) to New Kingdom, at a consideration of RMB6,000,000, being the paid-up registered capital of Jiangmen Jinying contributed by SFS Construction Macau. The consideration for the above transfer was determined with reference to the paid-up capital of Jiangmen Jinying and was properly and legally completed and settled on 7 December 2016. On the same day, the relevant Administration for Industry and Commerce of the PRC registered the above transfer. Our Directors confirm that Jiangmen Jinying was not involved in any material non-compliance from the commencement of the Track Record Period up to the date of its disposal, and it was the jointly-owned entity of SFS Construction Macau before the Reorganisation.

Upon completion of the above transfer, Jiangmen Jinying ceased to be a jointly-owned entity of our Group.

(2) Disposal of New Generation and SKS Federal Construction

In order to streamline the corporate structure of our Group, SFS Construction Macau entered into a sale and purchase agreement on 30 December 2016 with Red Development, pursuant to which SFS Construction Macau transferred its 98% interest in New Generation to Red Development at a consideration of MOP49,000. The said consideration for the transfer was determined with reference to the respective nominal value of the shares of New Generation and was properly and legally completed and settled on 30 December 2016. On 13 April 2017, Ms. Vicki Lao transferred her 2% interest in New Generation to New Kingdom at a consideration of MOP1,000. Red Development was owned as to 2% by Ms. Vicki Lao and 98% by SFS Real Estate Holdings Limited, which was in turn owned as to 70% by Laos International and 30% by WHM Holdings. The consideration for the above transfer was determined with reference to the nominal value of the quotas of New Generation and was properly and legally completed and settled on 19 April 2017. Both New Generation and its subsidiary, SKS Federal Construction, had not commenced any business operation since their respective incorporation. Our Directors confirm that New Generation and SKS Federal Construction were not involved in any material non-compliance incidents from the commencement of the Track Record Period up to the date of its disposal.

Upon completion of the above transfers, New Generation and its subsidiary, SKS Federal Construction, ceased to be the subsidiaries of our Group.

(3) Incorporation of our Company

On 23 February 2017, our Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. On the date of incorporation, one Share was issued to the subscriber, which was subsequently transferred to Laos International. On the same day, 6,999 nil-paid Shares and 3,000 nil-paid Shares were allotted to Laos International and WHM Holdings, respectively. Upon completion of the above issue and allotment, our Company was owned as to 70% by Laos International and 30% by WHM Holdings.

HISTORY AND CORPORATE STRUCTURE

(4) Acquisition of SFS BVI by our Company

On 15 September 2017, our Company entered into a sale and purchase agreement with Laos International and WHM Holdings, pursuant to which our Company acquired seven and three shares of SFS BVI from Laos International and WHM Holdings, respectively, representing the entire issued shares of SFS BVI. The consideration for the said acquisitions was satisfied by (i) crediting as fully paid at par the 7,000 nil-paid Shares held by Laos International and the 3,000 nil-paid Shares held by WHM Holdings; and (ii) the further allotment and issue of, credited as fully paid, 7,000 Shares to Laos International and 3,000 Shares to WHM Holdings. Upon completion of the above transfer, SFS BVI became a direct wholly-owned subsidiary of our Company.

(5) Increase in authorised share capital of our Company

Pursuant to the written resolutions of our Shareholders passed on 17 August 2018, the authorised share capital of our Company was increased from HK\$380,000 to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,962,000,000 Shares.

(6) Capitalisation Issue and Global Offering

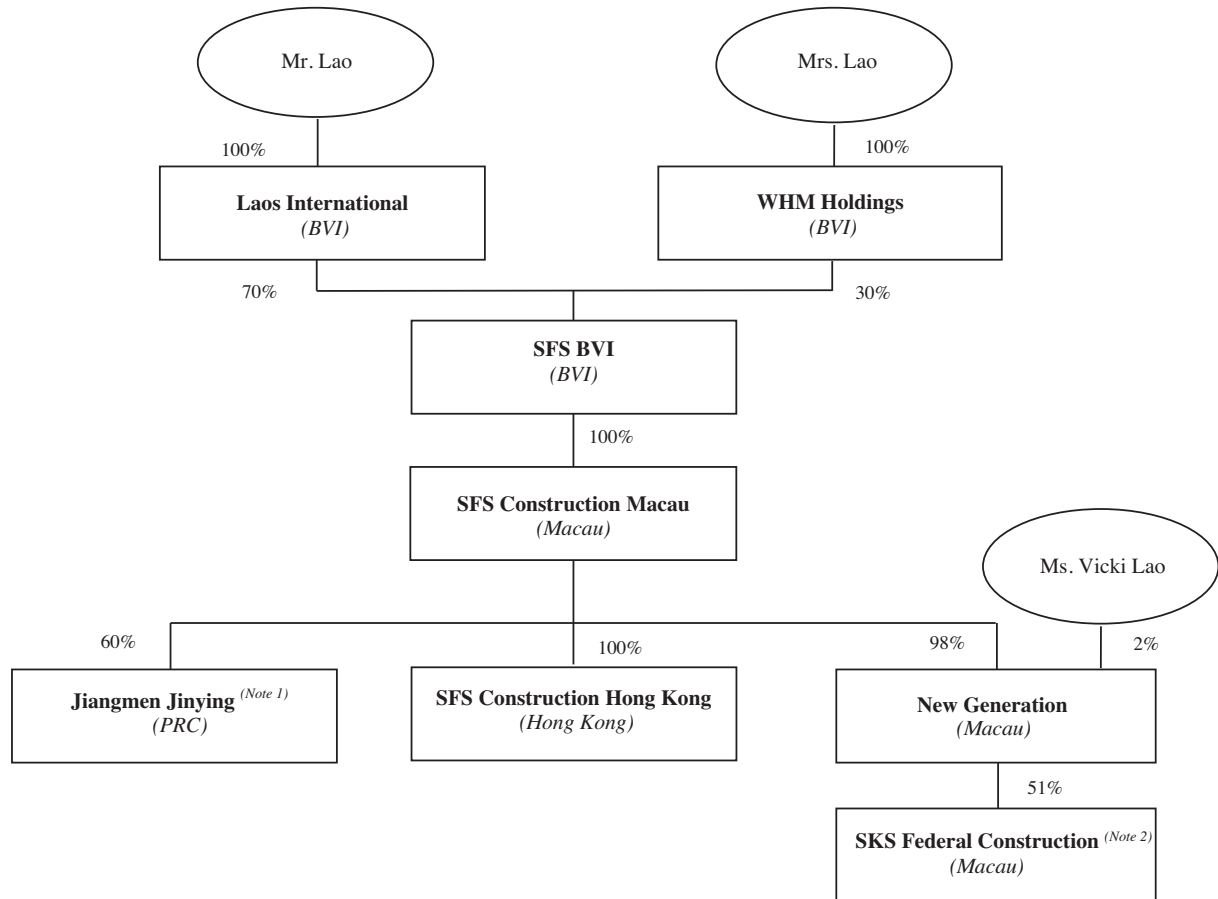
Conditional on the share premium account of our Company being credited as a result of the Global Offering, the Directors will be authorised to capitalise the amount of HK\$4,499,800 standing to the credit of the share premium account of by applying such sums towards payment in full at par a total of 449,980,000 Shares to be allotted and issued to the Shareholders whose names are on the register of members prior to the Global Offering pro rata to their then existing shareholding in our Company.

Our Company will offer 150,000,000 Shares under the Global Offering for subscription by the public and professional, institutional and other investors, representing a total of 25% of the enlarged issued capital of our Company upon Listing.

HISTORY AND CORPORATE STRUCTURE

THE CORPORATE STRUCTURE

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

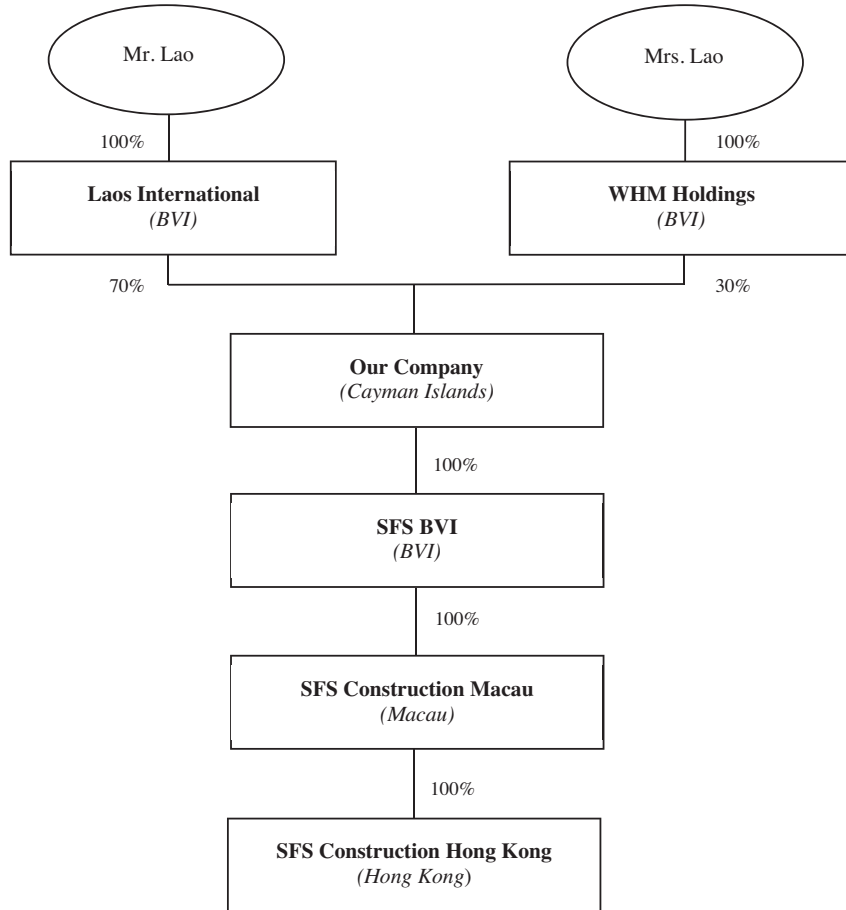


Notes:

1. Jiangmen Jinying was owned as to 60% by SFS Construction Macau and 40% by an Independent Third Party.
2. SKS Federal Construction was owned as to 51% by New Generation and 49% by an Independent Third Party.

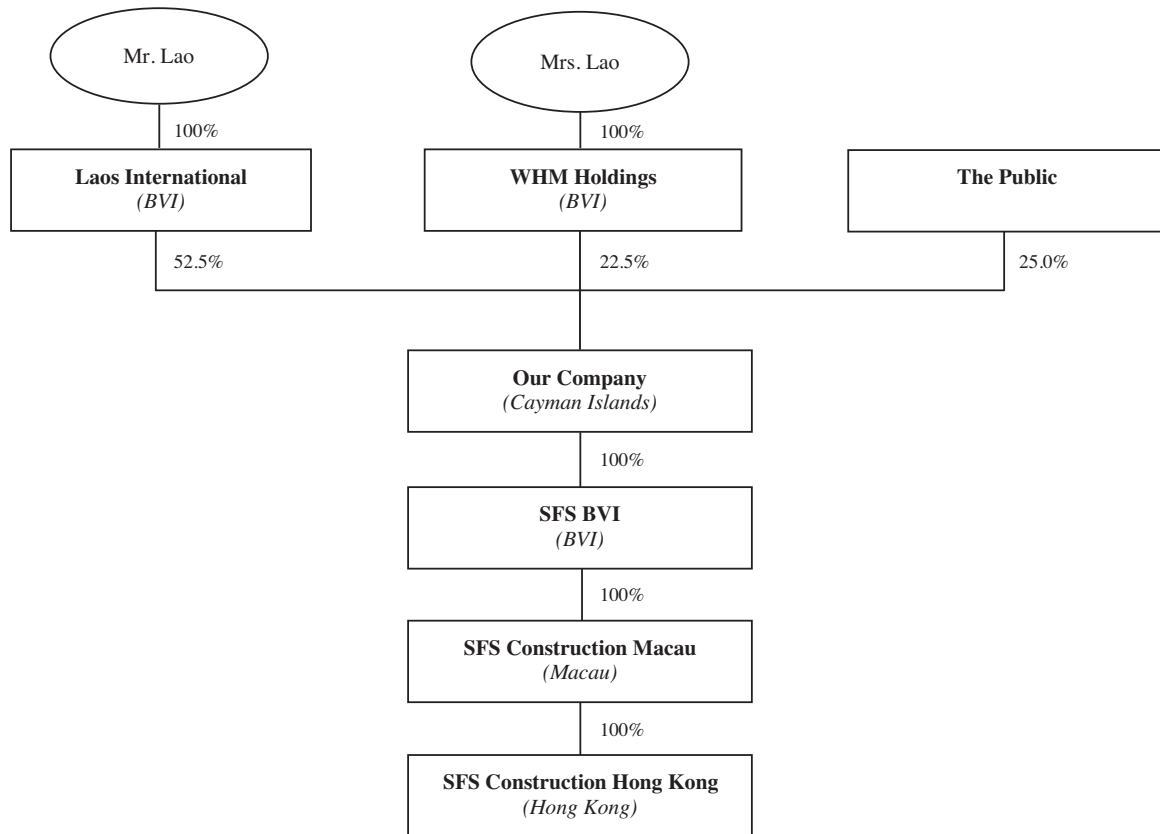
HISTORY AND CORPORATE STRUCTURE

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



HISTORY AND CORPORATE STRUCTURE

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



BUSINESS

OVERVIEW

We are an established construction contractor with over 20 years of operation in Macau. During the Track Record Period, our Group focused on providing (a) structural works, including substructure and superstructure works, such as foundation works, basement works, piling and pile cap works and the construction of high rise buildings; and (b) fitting-out works, in Macau. According to the Frost & Sullivan Report, in 2017, our Group had a market share of approximately 2.1% in the overall fitting-out works market and ranked fourth in the commercial fitting-out works market, and we also had a market share of approximately 0.1% and 0.01% in superstructure works market and in substructure works market in Macau, respectively, in terms of revenue.

In 1999, the Macau Government had drawn up a long-term plan for large-scale infrastructure, transportation and other urban development projects, as well as Macau had opened up its locally-controlled casino industry to foreign competition in 2001 transforming Macau into one of the world's largest gaming centres. As a result, Macau's economy experienced a rapid expansion, and a number of large-scale construction projects such as casinos, hotel resorts, commercial developments and major infrastructures were envisaged and subsequently realised. We have been benefited from the growth of Macau's economy and awarded various projects important to our business development, and our customers mainly include hotel and casino owners, property developers and the Macau Government, as well as the main contractors of various types of construction works, in Macau. Please refer to the paragraphs headed "Key business milestones" in the section headed "History and Corporate Structure" in this prospectus for further information of our projects and "Our projects" in this section for further details of our on-going projects during the Track Record Period.

Over the years, our operating subsidiary, SFS Construction Macau, had participated in various structural works and fitting-out works projects for both private and public sectors in Macau, which had built up our track record and had successfully won the tenders for certain high-end hotel and casino construction projects. Generally, the hotel and casino construction projects in Macau are in a larger scale and high profile with a larger contract sum as compared to the other construction projects, such as residential. Furthermore, the hotel and casino owners and main contractors of hotel and casino projects usually select the contractors with stringent requirements, such as proven records and high quality of works. According to Frost & Sullivan Report, due to the booming tourism and gaming industries in Macau, with a construction of numbers of new hotels and casinos during 2013 and 2014, the value of construction work done had increased significantly from MOP23.1 billion in 2012 to MOP79.2 billion in 2014. In 2013 and 2014, we had been awarded with four large-scale structural works contracts for the hotels and casinos in Cotai, Macau. These four structural works projects which contributed revenue of approximately MOP408.2 million, MOP161.0 million, MOP126.7 million, MOP11.4 million and nil during the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 respectively, had taken up most of the capacity of our Group till the end of 2015. As a number of sizable hotel and casino structural projects were reaching final stage between 2015 to 2016, we carried on more fitting-out works to capture the industry demand. An usual construction project has different phases, where once the structural works are completed, which normally include substructure and superstructure works, it will then move to next phase that is the fitting-out works, such as stone works, wall partitioning, glass works, painting, carpentry and joinery works, floor carpeting, decorative lighting, suspended ceilings.

BUSINESS

Mr. Lao, our founder, Chairman and executive Director, having more than 20 years of experience in construction industry, together with our experienced management team has successfully led our Group to become a recognised construction contractor in Macau, and to achieve continuous growth in business and operation. As at the Latest Practicable Date, we had 17 on-going projects (either in progress or yet to commence), of which four were related to structural works and 13 were related to fitting-out works. The revenue to be recognised under these on-going projects is subject to change due to various factors, among others, the request of variation orders, confirmation of provisional items/optional works under the construction contracts and actual construction progress.

According to the Frost & Sullivan Report, for the public sector, the Macau Government has launched various policies including “Five-Years Development Plan (2016-2020)”, Macau new urban zone development, and continues to invest in public infrastructure, such as healthcare facilities, cross-border facilities and supporting facilities of tourist hotspots, and for the private sector, the business opportunities from on-going development projects for hotels and casinos from 2018 onwards. Our Directors believe that, having considered (i) the expected recovery of the growth rate of and continuous increase in market size of superstructure and substructure works in Macau from 2018 onwards; (ii) our Group’s enhanced financial resources generated from completion of previous large-scale projects and net proceed from the Global Offering shall enable our Group to tender and undertake more construction projects from various sectors with different sizes; (iii) the purchase of machinery including excavators, crawler cranes and the recruitment plan of senior project managers and commercial director from the net proceed from the Global Offering shall increase our ability to tender more construction projects, in particular structural works projects; and (iv) our track record projects and our reputation in the construction industry, including both structural works and fitting-out works, our Group can expand our business operations and capture business opportunities in both public and private sectors, and achieve stable and sustainable growth of the business.

During the Track Record Period, SFS Construction Macau, was our operating entity and revenue source. For the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, our Group’s total revenue amounted to approximately MOP524.7 million, MOP399.1 million, MOP371.3 million, MOP185.2 million and MOP96.1 million, respectively. Below table sets forth the breakdown of our Group’s revenue during the Track Record Period by types of construction works:

	Year ended 31 December								Five months ended 31 May			
	2014		2015		2016		2017		2017		2018	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	<i>(unaudited)</i>											
Types of construction works:												
Structural works												
(Note)	439,477	83.8	199,878	50.1	131,592	35.4	21,402	11.6	—	—	22,028	22.9
Fitting-out works	85,252	16.2	199,201	49.9	239,663	64.6	163,799	88.4	72,075	100.0	74,090	77.1
Total:	<u>524,729</u>	<u>100.0</u>	<u>399,079</u>	<u>100.0</u>	<u>371,255</u>	<u>100.0</u>	<u>185,201</u>	<u>100.0</u>	<u>72,075</u>	<u>100.0</u>	<u>96,118</u>	<u>100.0</u>

Note: We had three substructure works projects with recognised revenue of approximately MOP28.1 million, MOP1.6 million, MOP1.9 million, MOP1.5 million and MOP10.1 million for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, respectively, and the remaining structural works were superstructure works.

BUSINESS

During the Track Record Period, our Group's revenue was solely derived from private sector in Macau which comprised commercial customers (the projects of which were in the hotel and casino sectors) and non-commercial customers (the projects of which were residential properties). Below table sets forth the breakdown of our Group's revenue by nature of building for our projects during the Track Record Period:

	Year ended 31 December								Five months ended 31 May			
	2014		2015		2016		2017		2017		2018	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	<i>(unaudited)</i>											
Nature of building:												
Commercial	524,729	100.0	348,513	87.3	363,312	97.9	179,398	96.9	72,075	100.0	77,062	80.2
Non-commercial	—	—	50,566	12.7	7,943	2.1	5,803	3.1	—	—	19,056	19.8
Total	<u>524,729</u>	<u>100.0</u>	<u>399,079</u>	<u>100.0</u>	<u>371,255</u>	<u>100.0</u>	<u>185,201</u>	<u>100.0</u>	<u>72,075</u>	<u>100.0</u>	<u>96,118</u>	<u>100.0</u>

During the Track Record Period, we had undertaken the construction projects as main contractor and subcontractor. Below table sets forth the number of projects and the breakdown of our Group's revenue by projects undertaken as a main contractor and subcontractor during the Track Record Period:

	Year ended 31 December								Five months ended 31 May			
	2014		2015		2016		2017		2017		2018	
	No. of projects	Revenue MOP'000	No. of projects	Revenue MOP'000	No. of projects	Revenue MOP'000	No. of projects	Revenue MOP'000	No. of projects	Revenue MOP'000	No. of projects	Revenue MOP'000
	<i>(unaudited)</i>											
Main contractor												
Structural works	—	—	1	27,873	1	4,866	2	5,724	—	—	4	15,717
Fitting-out works (Note 1)	<u>6</u>	<u>19,900</u>	<u>6</u>	<u>32,800</u>	<u>9</u>	<u>41,553</u>	<u>8</u>	<u>139,212</u>	<u>5</u>	<u>65,588</u>	<u>5</u>	<u>58,730</u>
Subtotal	6	19,900	7	60,673	10	46,419	10	144,936	5	65,588	9	74,447
Subcontractor												
Structural works	5	439,477	5	172,005	3	126,726	3	15,678	—	—	2	6,311
Fitting-out works (Note 2)	<u>10</u>	<u>65,352</u>	<u>9</u>	<u>166,401</u>	<u>3</u>	<u>198,110</u>	<u>4</u>	<u>24,587</u>	<u>1</u>	<u>6,487</u>	<u>4</u>	<u>15,360</u>
Subtotal	15	504,829	14	338,406	6	324,836	7	40,265	1	6,487	6	21,671
Total	<u>21</u>	<u>524,729</u>	<u>21</u>	<u>399,079</u>	<u>16</u>	<u>371,255</u>	<u>17</u>	<u>185,201</u>	<u>6</u>	<u>72,075</u>	<u>15</u>	<u>96,118</u>

Notes:

- For those fitting-out works projects which we were directly engaged by the property owners to execute the fitting-out works, we classified our capacity as a main contractor for these projects.
- For those fitting-out works projects which we were nominated by the property owners and entered into construction agreements with the main contractors to execute the fitting-out works, we classified our capacity as a subcontractor for these projects.

BUSINESS

COMPETITIVE STRENGTHS

Our Directors believe that our competitive strengths include:

We have established good reputation in provision of construction works services in Macau.

We have been operating in construction industry in Macau since the incorporation of SFS Construction Macau in July 1998. Our first project was to participate in construction of a government building in 1999. After the handover of Macau, the Macau Government planned for infrastructure projects and the development of Macau tourism and gaming industries, and we had been participating in various large scale and high profile construction projects, in both public and private sectors, such as hotels and casinos, entertainment facilities, residential buildings, commercial buildings, department store and government buildings, which built up our track record. Our Group had 6, 6, 3, 4 and 5 structural works projects in progress and 14, 14, 13, 11 and 12 fitting-out works projects in progress, respectively, for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018. As at the Latest Practicable Date, we had four on-going structural works projects and 13 on-going fitting-out works projects (either in progress or yet to commence) respectively.

According to the Frost & Sullivan Report, in 2017, our Group were the fourth largest player in the commercial fitting-out works market in Macau in terms of revenue. As recognition of our quality construction works services, solid project management and time management, we have received letters of appreciation from our customers who were hotel and casino owners or main contractors. Our Directors consider that our Group has established good reputations in the construction industry in Macau with over 20 years of operation.

We are capable to provide a wide range of construction services and to provide tailor-made construction methods for accommodating different customers' requirements.

With more than 20 years of operating history, our Group is capable of providing a wide range of construction services across different phases of a construction project, including foundation works, substructure works, superstructure works and fitting-out works. We have also acquired extensive knowledge and technical capabilities to provide tailor-made methods for accommodating our customers' different requirements. For example, we used "top-down construction method" in constructing a hotel in Avenida de Lisboa, Macau, to build the basement along side with the excavation from the top to the bottom, and the advantages were to shorten construction period due to simultaneous construction of the substructure and superstructure works and to have more operational space gained from the advanced construction of floor slabs. Also, in constructing a hotel in Cotai, Macau, we used "MEVA automatic climbing system formwork" which enhanced safety and speed in high-rise construction.

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Our Group has undertaken structural works and fitting-out works projects for casinos and hotels under Macau's six largest casino operators and different commercial buildings in the region. With over 20 years of operation in Macau, our Group has gained a reputation with a broad base of major customers as well as qualified sub-contractors engaged in providing specialised construction works which enable our Group to stand out from market competition. In addition, the well established business relationship with key customers and network within the construction industry with suppliers and subcontractors serve as a key competitive advantage for successful bidding on construction projects as well as smooth execution of these projects. Moreover, comparing to some Macau-based contractors which only provide a limited scale of work scope such as fitting-out works subcontractors, our Group (both substructure and superstructure works) is capable of providing comprehensive building and construction services for structural works and fitting-out works projects. Our Group copes with the industry trend and do not have a target revenue mix. In addition, our gross profit and gross profit margin for each structural or fitting-out project varies and is affected by number of factors such as tender price, size of project, duration of project, complexity of project, the cost of material, labour and subcontractors used in project and the number of variation orders in project and the change of design requested by our customers.

As we are capable of carrying both structural and fitting-out works, we do not solely rely on any particular sector to sustain our business and the change in an industry cycle of a particular sector will not materially affect the results and operations of our Group. Going forward, our revenue mix will depend on the tenders available and projects to be awarded. In general, it is our strategy to tender both structural and fitting-out works projects in various sizes according to the industry trend. This allows our Group to undertake and tender for different sizeable construction projects and deliver works with consistent quality in the midst of whole construction projects with effective resources management.

Our Directors believe that we are committed to expanding the scope of capabilities and have accumulated a wide spectrum of experience in building construction works. These include foundation and basement, site formation, reclamation and superstructure, and fitting-out works. Our Group is able to provide a comprehensive range of integrated construction services across different phases of a construction project. Our ability to perform diversified construction works enables us to bid for a wide variety of construction projects, with our dedication in delivering high quality and cost efficient services to our customers, enhances customers' confidence in our construction services and gives our Group the competitive advantage in capturing new businesses from existing and new customers in different sizes and natures of construction projects.

We have stable relationships with major customers.

Our Group has established and maintained stable relationships with our major customers, including hotel and casino owners and main contractors which are well-known enterprises in Macau and Hong Kong. We have business cooperation with most of our five largest customers during the Track Record Period for at least three years based on mutual understanding and trust, and certain reputable customers, including the hotel and casino owners, had awarded us with more than one project during the Track Record Period. Our Directors believe we received letters of appreciation from some of our major customers showing their recognition of our construction works services, in particular, our good quality of works, efficient project management and time management, which can be a proven record that we generally met our customers' requirements, thus enhancing their trust in

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our Group's capacity and experience. Our Directors further believe that our Group's cooperation with these large-scale enterprises has enhanced our corporate image and reputation. Moreover, our stable relationships with the major customers have provided our Group to participate in their construction projects by way of tender, and with the opportunity to success in tenders and secure new projects from both new and existing customers and accordingly sustain the growth of our Group's business.

We have strong and stable relationships with major construction materials suppliers and subcontractors.

We maintain strong and stable relationships with our major construction materials suppliers and subcontractors. As at the Latest Practicable Date, we had over 60 pre-qualified construction materials suppliers and over 100 pre-qualified subcontractors, and we have maintained a stable business relationship with our suppliers and subcontractors. We rely on those suppliers and subcontractors we approved which are also industry players that supply us with construction materials and services. Furthermore, our Directors consider that leveraging on our stable relationship with those pre-qualified subcontractors which can provide us with the support of stable manpower and equipment supply in construction projects, and can facilitate us in tendering, sourcing and execution of projects and day-to-day operations. These can strengthen our relationship with customers and maintain our competitiveness.

We have stringent quality control.

We have established a safety management and quality management system. Through systematic and effective control on our staff and labour together with monitoring procedures for our subcontractors, our Group's compliance with safety and quality requirements can be further assured and non-conformity and liability can be eliminated or reduced. We were accredited with ISO 9001:2008 quality management system (now revised by ISO 9001: 2015) in 2014, and ISO 9001: 2015 quality management system, ISO 14001: 2015 environmental management system and OHSAS 18001: 2007 occupational health and safety management system in 2017 in respect of structural works and fitting-out works projects, which proved that our Group have maintained a certain standard in quality management system. Moreover, we have established and developed an in-house quality plan according to our experience to cope with the requirements of different customers. Some of our major customers are well-known, large scale and multinational enterprises, which value project safety and quality and require construction services of high quality.

We have a strong and experienced management team.

Our Group is led by management team comprises construction specialists, with a majority of them having over seven years' practical experience in different areas of the construction industry, which include structural works and fitting-out works, and they maintain good relationship with our customers, suppliers and subcontractors, who are familiar with the construction market in Macau. Majority of our management team have accumulated extensive management experience and construction knowledge through our Group's construction business operations over the years.

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Their experience facilitates the formulation of competitive and accurate tenders, which are essential to our Group in securing new business, and the efficient and timely implementation and management of construction works. Our Directors believe that our management's expertise and knowledge of the industry, together with our qualified employees, have been and will continue to be our valuable assets. For further details of the qualifications and experience of our Directors and senior management, please refer to the section headed "Directors, Senior Management and Employees" in this prospectus.

BUSINESS STRATEGIES

Our principal business objective is to further strengthen our position and overall competitiveness of our construction business in Macau. Our Directors intend to pursue the following key strategies to achieve our Group's future expansion plans:

To strengthen our financial position and solidify our competitiveness in the construction market in Macau.

Due to our Group's business nature, normally we may incur net cash outflows up to approximately 10% of the contract sum at the early stage of the projects. The cash outflows mainly include subcontractors charges, construction material costs and labour costs. Moreover, our customers normally withhold 5% to 10% of the total contract sum as retention money, which is generally released in full to our Group subsequent to the expiry of the defect liability period. Therefore, if the retention money is not released by our customers in a timely manner, it may affect our liquidity position. In general, the defect liability period of our projects during the Track Record Period is 3 to 24 months. As such, we usually utilise banking facilities, our internal resources to finance our business operations, and we have to closely monitor our capital and cash positions and to implement key measures on construction costs, cash flows and fixed costs. Our Directors intend to use approximately 30% of the net proceeds from the Global Offering to strengthen our financial position and finance our Group's new structural works and fitting-out works projects in Macau, which mainly includes the payment of labour costs, material costs and subcontracting charges. With the additional financial resources, our Group can reduce using bank facilities for prepayment of various fees and costs when we are awarded with new structural works and/or fitting-out works projects and hence saving our finance cost. In addition, it enables us to tender and undertake more projects and also the larger scale construction projects in terms of contract sum and to capture the growth in market size in the construction market in Macau.

Furthermore, when we undertake a new project, we are generally required to pledge cash deposit with a bank for issuance of performance bond which generally amounts to approximately 5-10% of the contract sum of the project. Such performance bond will usually be returned to us by our customer after the defect liability period expires. In case of government projects, we are required to pledge cash deposit with a bank for issuance of bid bond at the tendering stage which the amounts vary on a project-by-project basis. Having considered that the Macau Government launched various policies on the infrastructure plans and new urban zone development, we intend to participate in the government projects which are considered to be profitable and benefit to our Group upon our internal assessment, instead of simply focusing on private sector. Through public tender or invitation from the Macau Government, our Group is able to identify potential projects in the public sector. After the Track

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Record Period, apart from tendering new projects in the private sector, our Group has been looking for opportunities in the public sector by obtaining more public tender information published on government website, publications and newspaper and preparing for tender submission for government projects. Our Group also intends to allocate more resources to analyse and submit tenders for government projects and may also cooperate with other construction companies which have consistently been engaging in the government projects.

As at the Latest Practicable Date, there were 20 projects for which we had yet to receive results after submitting the tenders or quotations and the aggregate expected contract sum of these projects amounted to approximately MOP605.7 million. For details of our backlog, please refer to “Our projects” in this section.

In order to capture emerging opportunities and to undertake more projects and sizeable projects in both private and public sectors, our Group intends to use approximately 13% of the net proceeds from the Global Offering to strengthen our financial position by enhancing our credit facilities, such as using cash collateral to increase the bank’s credit facility limit to our Group. This is to enable us with sufficient financial resources to undertake more large-scale projects and bidding for government projects.

To expand and capture business opportunities through organic growth and selective acquisition opportunities within Macau

According to the Frost & Sullivan Report, the Macau Government has launched various promotional campaigns and related policies to support tourism industry upon the completion of Hong Kong — Zhuhai — Macau Bridge in the coming years, and also the new urban zone development as highlighted in the Macau 2017 Policy Address, which was recognised as a key driver to the construction industry in Macau. Furthermore, according to the Frost & Sullivan Report, some large-scale projects and planned extension hotel and casino projects in Macau are expected to be in the pipeline in the coming years, which would increase the demand for building construction including structural works and fitting-out works and revenue driving up the future growth rate. In light of the government development strategies and the planned extension of hotels and resorts in Macau, we believe that there will be new business opportunities in both public and private sectors for the construction of new infrastructures, residential properties and commercial buildings.

Our Group’s ability to take on a project is generally limited by the capacity, including expertise, project management, availability of construction workers, in addition to financial resources as mentioned above. As such, we intend to identify opportunities in acquiring businesses or companies, for example, a contractor with similar business of our Group but different customer base or a subcontractor with expertise in project management, reputation in the construction industry and sufficient labour resource, so that it enables us to consolidate and expand market shares in Macau construction industry. We will seek potential targets through internal market research and recommendations from our business partners. In selecting and assessing potential merger and acquisition opportunities, we will consider a variety of factors relating to the target companies, including their compatibility with our business and future development plans, track record, existing customer base, professional expertise, experience in project management, availability of construction workers, capabilities of management and technical staff, market share as well as the potential growth,

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profitability of business and goodwill. As at the Latest Practicable Date, we had not identified any merger and acquisition targets. Should suitable opportunities arise, we intend to invest in, or form joint ventures with, high quality companies which possess the relevant competitive edge and expertise. We intend to use approximately 10% of the net proceeds from the Global Offering, and we may also consider to use our internal funding resources, as well as external equity and/or debt financing, in carrying out any such acquisitions.

To expand our scale of operations through the acquisition of new machinery and equipment

Some of the construction works, in particular structural works, may require the use of machinery and equipment. During the Track Record Period, we generally relied on our subcontractors to provide machinery and equipment, or leased machinery and equipment from independent machinery leasing service providers when we carried out structural works. Hence, our capacity to carry out structural works for our customers depends largely on the availability of machinery and equipment. We believe that our investment in machinery and equipment could allow us to undertake more structural works of different scales and complexity and to meet the expected growing demand in the construction industry, in particular, the completion of the Hong Kong-Zhuhai-Macau Bridge in the forthcoming years and the new urban zone development as addressed in the Macau 2017 Policy Address. Furthermore, we were awarded two construction contracts with a majority of works relating to structural works, and our demand for machinery is projected to increase to improve our project execution effectiveness and efficiency.

Our Directors believe that (a) the purchase of such machinery and equipment will enable us to cope with our business development and capture the market opportunities, in particular the structural works projects; (b) the availability of machinery and equipment enables us to cater for different needs and requirements of different customers as our customers shall also consider, among other factors including financial position, reputation, qualification, whether the contractors have their own available machinery and equipment when assessing the tender submission; (c) having our own machinery and equipment will enable us to increase our flexibility in managing project schedule, and increase our overall efficiency, capacity and technical capability in performing structural works; and (d) we can reduce our reliance on subcontractors and machinery leasing service providers. Therefore, we intend to use 27% of the net proceeds from the Global Offering to acquire new machinery and equipment including excavators, crawler cranes and other related machinery and equipment.

To strengthen our manpower by hiring additional experienced personnel.

In order to maintain our Group's competitiveness and increase our market share in Macau, as well as to explore new customers and prepare additional tender submissions, we consider to hire additional experienced personnel. We intend to hire one commercial director with at least 10 years relevant working experience who has extensive experience in developing and implementing commercial strategies for construction projects, and wide connections with customers (in both private and public sectors) and local suppliers and subcontractors, and two senior project managers with at least seven years relevant experience who can supervise and manage the projects and communicate internally and externally. Our Directors consider to use approximately 10% of the net proceeds from the Global Offering to hire the commercial director and senior project managers for our Group's business operations.

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To support the growth of our Group's business and enhance our corporate image.

Through participation in the high-profile construction projects in Macau, together with our Group's extensive experience and expertise accumulated over the past decade, our Directors believe that our Group has been well recognised in Macau construction industry. Our Directors also believe that good reputation generates more business opportunities and our reputation depends to a large extent on our capability to deliver quality works to the satisfaction of our customers. To this end, we will continue to develop a corporate culture in various operations emphasising the importance of four main core values: (i) commitment to quality, (ii) commitment to safety, (iii) timely delivery of works and (iv) profitability. Our Group will continue to proactively manage our customer relations and expand our customer base, and our commercial director will be responsible for exploring any new potential customers and/or projects in both private and public sectors.

OUR PROJECTS

Our Group mainly focuses on structural works and fitting-out works:

- (a) Structural works projects: We may act as a main contractor which we are generally responsible for overall project management of construction works such as project design of construction works, management and supply of materials, labour, equipment and services for the project, stability and safety of construction works, environmental impact of the construction works, and coordination of subcontractors to perform the construction works. We may act as a subcontractor which generally take a lesser role in project coordination and assume less responsibility, and usually deliver the works required under the subcontracting agreements.
- (b) Fitting-out works projects: We are either engaged by the project owner or the contractors of the fitting-out works projects to execute the fitting-out plans required by our customers, supervise subcontractors and procure fitting-out materials.

Revenue generated from construction projects conducted by our Group is recognised over time using output method which is measured with reference to the payment certificates issued by architects, surveyors or other representatives appointed by the customer during the year and variations in contract works, claims and incentive payments are included to the extent that we have agreed with our customers.

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Below table sets forth the number of our construction projects during the Track Record Period and up to the Latest Practicable Date:

	Year ended 31 December						From 1 January 2018 to 31 May 2018			From 1 June 2018 to the Latest Practicable Date				
	2014		2015		2016		2017		Fitting-out works		Fitting-out works		Total	
	Structural works	Fitting-out works	Structural works	Fitting-out works	Structural works	Fitting-out works	Structural works	Fitting-out works	Structural works	Fitting-out works	Structural works	Fitting-out works	Structural works	Fitting-out works
Projects brought forward from the last financial year/period	4	7	6	14	6	14	20	3	13	4	11	5	12	17
Add: new projects commenced in the financial year/period	2	12	1	3	—	6	6	3	4	3	4	3	1	1
Less: projects completed in the financial year/period	—	5	1	3	3	7	10	2	6	2	3	2	—	—
Projects in progress as at the end of the year/period	6	14	6	14	3	13	16	4	11	5	12	4	13	17

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Below table sets forth a breakdown of the projects completed by our Group during the Track Record Period by range of accumulated revenue recognised:

	Year ended 31 December				Five months ended 31 May 2018
	2014	2015	2016	2017	
	<i>Number of projects completed</i>	<i>Number of projects completed</i>	<i>Number of projects completed</i>	<i>Number of projects completed</i>	<i>Number of projects completed</i>
Structural works					
Accumulated revenue recognised					
MOP10.0 million or above	—	1	3	1	1
MOP5.0 million to below MOP10.0 million	—	—	—	—	—
MOP1.0 million to below MOP5.0 million	—	—	—	1	1
Below MOP1.0 million	—	—	—	—	—
Total	<u>—</u>	<u>1</u>	<u>3</u>	<u>2</u>	<u>2</u>

	Year ended 31 December				Five months ended 31 May 2018
	2014	2015	2016	2017	
	<i>Number of projects completed</i>	<i>Number of projects completed</i>	<i>Number of projects completed</i>	<i>Number of projects completed</i>	<i>Number of projects completed</i>
Fitting-out works					
Accumulated revenue recognised					
MOP10.0 million or above	1	1	6	2	1
MOP5.0 million to below MOP10.0 million	1	—	—	2	1
MOP1.0 million to below MOP5.0 million	1	—	1	1	1
Below MOP1.0 million	2	2	—	1	—
Total	<u>5</u>	<u>3</u>	<u>7</u>	<u>6</u>	<u>3</u>

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(1) Completed projects

Below table sets forth the details of the projects completed by our Group during the Track Record Period with accumulated recognised revenue above MOP10.0 million in descending order:

Project code	Description of project	Category	Project commencement date (Note 1)	Project completion date (Note 2)	Awarded contract sum (Note 3)	Revenue recognised ^(Note 3)					Five months ended 31 May 2018 (MOP million)	Accumulated revenue recognised ^(Note 3) (MOP million)
						2014 (MOP million)	2015 (MOP million)	2016 (MOP million)	2017 (MOP million)	2018 (MOP million)		
Structural works												
A1.	Transfer plate in a hotel in Cotai, Macau	Hotel and casino	Sep 2013	Oct 2016	82.3	77.4	—	3.1	—	—	—	104.7
A2.	Residential development in Taipa, Macau ^(Note 4)	Residential properties	Oct 2011	Jun 2016	48.0	—	27.9	4.9	—	—	—	50.9
A3.	Car park area in a hotel in Cotai, Macau	Hotel and casino	Sep 2013	Jul 2015	22.1	31.3	10.6	—	—	—	—	44.8
A4.	Basement in a hotel in Cotai, Macau	Hotel and casino	Mar 2014	Dec 2016	27.0	28.1	1.6	1.9	—	—	—	31.6
A5.	Reinforced concrete works in a hotel in Cotai, Macau	Hotel and casino	Sep 2014	Aug 2017	221.7	2.8	136.1	121.7	11.4	—	—	272.0
A6.	Carcass works in a hotel in Cotai, Macau	Hotel and casino	Nov 2013	Mar 2018	266.3	299.9	23.3	—	—	—	—	323.2
Fitting-out works												
B1.	Waiting area of a tourist attraction site in a hotel in Cotai, Macau	Hotel and casino	Sep 2014	Sep 2016	56.1	0.5	58.8	—	—	—	—	59.3
B2.	Chinese restaurant in a hotel in Cotai, Macau	Hotel and casino	Feb 2014	Sep 2016	29.5	6.9	22.8	—	—	—	—	29.7
B3.	Japanese restaurant in a hotel in Cotai, Macau	Hotel and casino	Feb 2014	Jun 2017	24.7	5.2	16.9	4.3	2.0	—	—	28.4
B4.	Chinese restaurant in a hotel in Cotai, Macau	Hotel and casino	Jul 2013	Jan 2016	24.3	2.8	—	1.3	—	—	—	27.1
B5.	Residential development in Taipa, Macau ^(Note 4)	Residential properties	Sep 2012	Jun 2016	22.1	—	22.0	3.1	—	—	—	25.1
B6.	Club lounge at a hotel in Cotai, Macau	Hotel and casino	Mar 2013	Jan 2014	13.1	2.8	—	—	—	—	—	15.8
B7.	A restaurant in a hotel in Cotai, Macau	Hotel and casino	May 2014	May 2015	13.4	13.2	2.4	—	—	—	—	15.6
B8.	Beverage area in a casino in Cotai, Macau	Hotel and casino	Feb 2014	Sep 2016	11.6	3.7	10.2	—	—	—	—	13.9
B9.	Shopping area in a hotel in Cotai, Macau	Hotel and casino	Oct 2015	Dec 2016	10.3	—	1.9	9.8	—	—	—	11.7
B10.	Shopping area in a hotel in Cotai, Macau	Hotel and casino	Jun 2016	Oct 2017	13.0	—	—	11.4	2.7	—	—	14.1
B11.	A restaurant in a hotel in Cotai, Macau	Hotel and casino	Aug 2014	Feb 2018	19.0	2.4	10.0	—	3.7	—	1.8	17.9

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Below table sets forth details of our project completed subsequent to the Track Record Period and up to the Latest Practicable Date with awarded contract sum above 10.0 million:

Project code	Description of project	Category	Project commencement date <i>(Note 1)</i>	Project completion date <i>(Note 2)</i>	Awarded contract sum <i>(Note 3)</i>	Revenue recognised ^{<i>(Note 3)</i>}			Five months ended 31 May 2018 <i>(MOP million)</i>
						2014 <i>(MOP million)</i>	Year ended 31 December 2015 <i>(MOP million)</i>	2016 <i>(MOP million)</i>	
<i>Structural works</i>									
C3.	Facade steel structural works at a yacht club, Macau ^{<i>(Note 5)</i>}	Commercial	September 2017	July 2018	11.8	—	—	4.8	7.0

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Notes:

1. The commencement date is determined based on the date of entering into a letter of intent/letter of acceptance/formal construction contract.
2. The completion date is determined with reference to the date of completion with final amount certified by our customers.
3. The awarded contract sum is generally the agreed sum setting out in the initial construction agreement when the relevant project commences, which does not take into account any variation orders issued by our customers and is only based on the initial agreement entered into between our Group and our customers. The revenue recognised is the amount of revenue certified by our customers after the project is completed which may be different from the awarded contract sum as our customers may change the design or issue variation orders during the course of construction which may affect our final revenue recognised.
4. Project A2 and Project B5 were related to the residential construction project located at Taipa, Macau owned by Fu Tat Lei. In October 2011, SFS Construction Macau was successful in the tender and entered into the construction contract for Project A2 with Fu Tat Lei for structural works, and thereafter commenced the structural works until October 2012. Furthermore, in September 2012, SFS Construction Macau was successful in the tender and entered into the construction contract for Project B5 with Fu Tat Lei for the fitting out works, which had not commenced after signing the construction contract. The construction works for both Project A2 and Project B5 were suspended pending for obtaining the government approvals by Fu Tat Lei until September 2014. Having considered that the construction had been suspended for around two years, and the subcontracting fees, the construction material costs and labour costs had increased during the suspension period, SFS Construction Macau entered into the supplemental agreements with Fu Tat Lei in order to revise the respective contract sums for Project A2 and Project B5 in October 2014 and April 2015 respectively.
5. Our Group was awarded with the construction contracts for Project C3 in September 2017, with the majority of the works relating to structural works, and partially for fitting-out works.

(2) Projects in progress

Below table sets forth our projects in progress (either in progress or yet to commence) as at the Latest Practicable Date with awarded contract sum above MOP10.0 million:

No.	Description of project	Category	Project commencement date	Expected completion date ^(Note 1)	Awarded contract sum ^(Note 2)	Accumulated revenue recognised up to 31 May 2018	Expected	Expected
							revenue to be recognised in seven months ending 31 December 2018 ^(Note 3)	revenue to be recognised in year ending 31 December 2019 ^(Note 3)
						(MOP million)	(MOP million)	(MOP million)
<i>Structural works</i>								
C4.	Residential development in Macau ^(Note 4)	Residential	September 2017	May 2019	49.9	4.3	24.3	21.3
C5.	Pedestrian bridge in Macau	Public	February 2018	August 2019	21.6	nil	14.6	7.0

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No.	Description of project	Category	Project commencement date	Expected completion date ^(Note 1)	Awarded contract sum ^(Note 2)	Accumulated revenue recognised up to 31 May 2018	Expected	Expected
							revenue to be recognised in seven months ending 31 December 2018 ^(Note 3)	revenue to be recognised in year ending 31 December 2019 ^(Note 3)
					(MOP million)	(MOP million)	(MOP million)	(MOP million)
<i>Fitting-out works</i>								
D1.	Guest rooms in a hotel in Cotai, Macau	Hotel and casino	April 2015	October 2018	231.9	234.5	nil	nil
D2.	Hotel tower in Cotai, Macau	Hotel and casino	October 2016	August 2018	126.9	130.4	6.0	nil
D3.	Basement in a hotel in Cotai, Macau	Hotel and casino	May 2013	August 2018	91.6	123.3	0.1	nil
D4.	Spa and gym located in a hotel in Cotai, Macau	Hotel and casino	October 2016	August 2018	51.6	39.4	4.4	nil
D7.	Residential property in Macau	Residential	November 2017	December 2018	31.6	9.0	22.6	nil
D8.	Clubhouse of a residential building in Macau	Residential	May 2018	February 2019	41.5	nil	37.4	4.1
D9.	Food and beverages area in a theme park in a hotel in Cotai, Macau	Hotel and casino	May 2018	March 2019	24.5	nil	14.7	9.8
D10.	Gaming room of a hotel in Macau	Hotel and casino	May 2018	October 2018	44.7	nil	41.1	nil
D11.	Nursery in Macau	Public	September 2018	January 2019	16.7	nil	13.4	3.3
Total for the projects with awarded contract sum over MOP10.0 million					732.5	540.9	178.6	45.5

Notes:

- The expected completion date represents our management's best estimate according to the expected completion dates specified in the relevant construction contracts (if any) or the work schedule agreed with our customers (if any) and the actual work scheduled up to the Latest Practicable Date or the expected date for issuing the payment certificate of final account.
- The awarded contract sum does not take into account any variation orders issued by our customers and is only based on the initial agreement entered into between our Group and our customers.
- The expected revenue to be recognised in the seven months ending 31 December 2018 and the year ending 31 December 2019 is based on our management's best estimation mainly accounting to the awarded contract sum, confirmed variation order and accumulated revenue previously recognised.
- Our Group was awarded with the construction contract for Project C4 in September 2017, with the majority of the works relating to structural works, and partially for fitting-out works.

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(3) Projects awarded after the Track Record Period and status of the tenders submitted up to the Latest Practicable Date

After the Track Record Period and up to the Latest Practicable Date, we were awarded one new fitting-out works project in the public sector with a contract sum of approximately MOP16.7 million and one new structural works project in commercial sector with contract sum of approximately MOP1.9 million, and had submitted 23 tenders or quotations for new projects with an aggregate expected contract sum of approximately MOP883.2 million. Among the 23 tenders or quotations submitted, four projects with aggregate expected contract sum of approximately MOP 389.0 million have released results while 19 projects with expected contract sum of approximately MOP494.2 million were yet to release results.

As at the Latest Practicable Date, including one tender submitted during the Track Record Period, we had a total of 20 projects of which we had yet to receive results after submitting tenders or quotations with an aggregate expected contract sum of approximately MOP605.7 million.

Projects that have submitted for tender but not yet awarded as at the Latest Practicable Date

No.	Description of potential projects	Expected contract sum (MOP million)	Estimated performance bonds required* (MOP million)	Amount of bid bonds issued (MOP million)
N1	Fitting-out works for a cinema in Cotai, Macau	86.3	8.6	—
N2	Fitting-out works for a building of an university in Taipa, Macau	40.8	2.0	0.6
N3	Structural works for an university in Taipa, Macau	111.5	11.2	—
N4	Fitting-out works for a public facility in Macau	16.0	0.8	0.4
N5	Fitting-out works for a night club of a hotel in Cotai, Macau	30.8	3.1	—
N6	Fitting-out works for a restaurant in a hotel in Cotai, Macau	1.3	—	—
N7	Fitting-out works for a hotel in Macau	1.6	—	—
N8	Fitting-out works for buildings in an university in Taipa, Macau	148.0	7.4	3.4
N9	Fitting-out works for a public facility in Macau	35.0	1.8	0.6
N10	Fitting-out works for facilities in the airport in Taipa, Macau	3.2	0.3	—
N11	Fitting-out works for a facility of a hotel in Macau	0.4	—	—
N12	Structural works for a hotel in Cotai, Macau	28.2	2.8	—

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No.	Description of potential projects	Expected contract sum (MOP million)	Estimated performance bonds required* (MOP million)	Amount of bid bonds issued (MOP million)
N13	Structural works for a hotel in Cotai, Macau	1.2	—	—
N14	Structural works for car park of an airport in Taipa, Macau	10.8	1.1	—
N15	Structural works for a hotel in Cotai, Macau	20.0	2.0	—
N16	Fitting-out works for buildings of an university in Taipa, Macau	17.0	0.9	0.3
N17	Fitting-out works for residential buildings in Macau	5.2	0.5	—
N18	Fitting-out works for a hotel in Cotai, Macau	10.1	1.0	—
N19	Fitting-out works for a hotel in Macau	24.9	2.5	—
N20	Fitting-out works for a public building in Macau	13.4	0.7	0.3
	Total	<u>605.7</u>	<u>46.7</u>	<u>5.6</u>

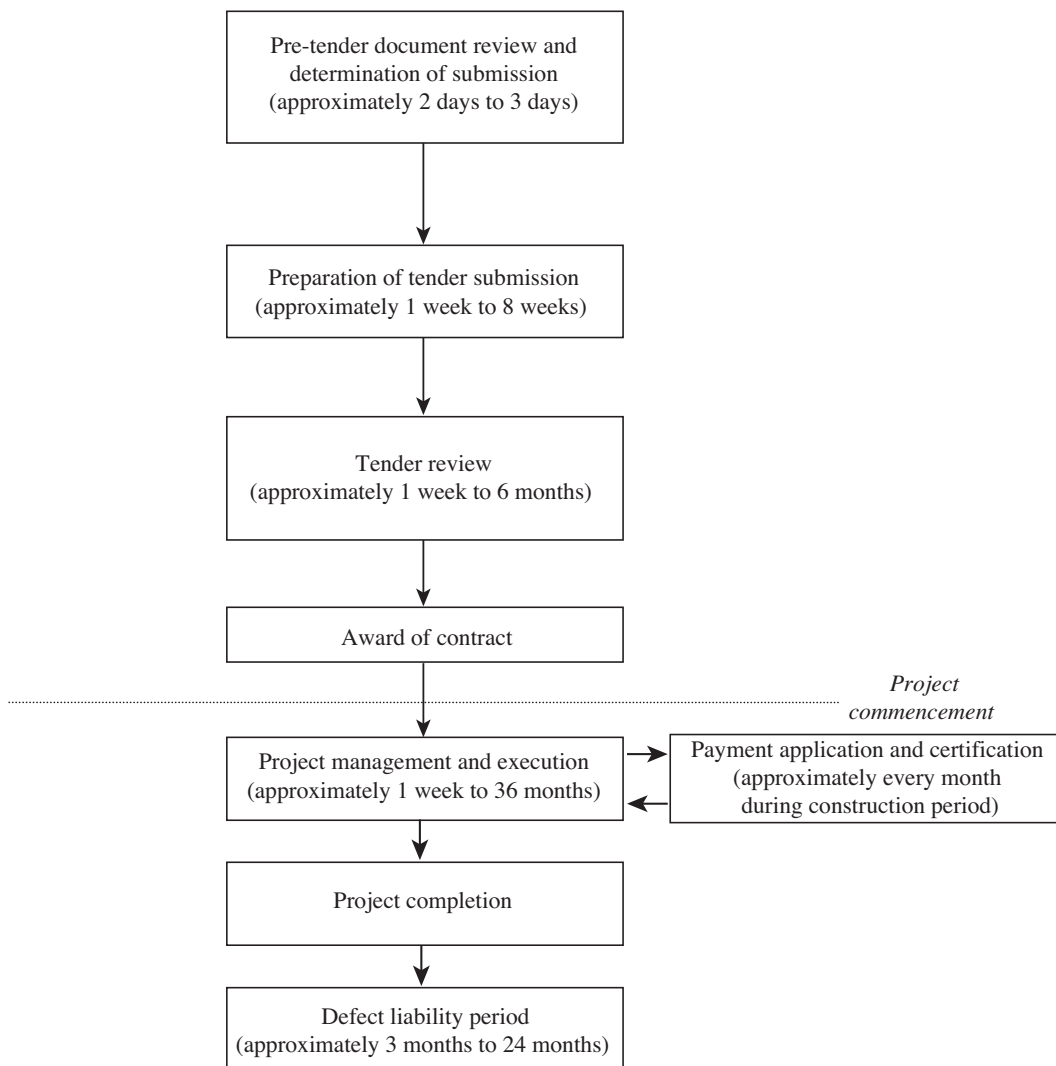
* The estimated amount of performance bonds required is based on the tender documents or the estimation by our management in similar types of projects/customers.

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OPERATING PROCEDURES

Generally, the operating procedures of our Group for the structural works projects or the fitting-out works projects are similar. Our customers will usually invite us to participate in tender process in the capacity of main contractor/subcontractor in structural works projects or fitting-out contractor in fitting-out works projects.

The following diagram illustrates the major operating procedures of our Group.



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(i) **Pre-tender document review and determination of submission**

Generally, we identify the potential projects through either (a) receiving an invitation to private tender by our customers or (b) public tender by the Macau Government. Upon receipt of the tender documents from our customers or the government authorities on the target projects, our commercial manager, with the assistance from other teams, such as procurement team and finance team, will review and assess the information provided in the tender documents. In determining whether to proceed with tender submission, we take into account various factors, such as the scope, complexity and specifications of the project, the feasibility of project timetable, the prevailing competitiveness and financial condition of our Group, the availability of construction workers and expertise, our Group's prior experience in similar projects and major terms of the contracts. Our commercial manager will discuss with any one of our executive Directors and make decision as to whether to proceed with the project. Our pre-tender assessment generally takes two to three days upon receipt of the tender invitation.

(ii) **Preparation of tender submission**

If it is decided to proceed with tender after the assessment, our Group will commence preparing the tender submission which usually includes our quotations, comments on the terms of contract, programme of works for each stage of construction works, method statement of each work involved, site safety supervision plan, quality plan, risk assessment plan, and proposed management team structure. The requirement of tender submission varies depending on customers and project size/scale.

We take into account various possible risks in preparing tender submission. In determining the tender price, our Group estimates the expenses of construction materials and cost of subcontracting services, collects quotations from potential suppliers for the cost of construction materials and subcontractors for carrying specific task in a construction project, including the provision of machinery and equipment where necessary. Our pricing is based on the quotations from suppliers and subcontractors, materials price trend, wage trend, previous tender records and awarded tender prices of similar projects. The finalised tender proposal will be dispatched to our customer within the prescribed time after approval by the management of our Group, including an executive Director and/or our commercial manager.

Depending on the complexity and scale of the construction project and the requirements of our customers, it usually takes approximately one week to eight weeks to prepare and submit our tender to the customers after receipt of the tender invitation documents.

(iii) **Tender review and award of contract**

After submission of tender, our customer may request us to answer questions relating to the tender submission by way of interview or written submission. This process usually takes approximately one week to six months.

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If we succeed in the tender, subject to the requirements of our customers, we enter into a letter of intent/letter of acceptance/formal construction contract, and the major clauses of such contracts normally include responsibilities of the relevant parties, construction periods, contracted prices, payment terms, quality requirements of the projects and warranties to be provided by our Group to our customers. For further details of major terms of construction contracts, please refer to the paragraph headed “Customers — Key terms of construction contracts” in this section.

(iv) **Project management and execution**

- (1) Pre-construction project management (including shop drawings, work planning, procurement of construction materials and engagement of subcontractors)

After the award of contract, and in order to ensure the performance of the construction contract, our Group will form a project team which usually comprises project manager, quantity surveyor, engineer (for structural works), design manager (for fitting-out works), site supervisor, foreman, project coordinator and safety officer. The size of the project team depends on the scale of each project. The project team is responsible for formulation and submission of construction master programme, method statement, construction material submission, safety plan, risk assessment plan and overall management of the project progress. They also work with the commercial manager and the procurement team, for confirming and arranging with subcontractors, as well as sourcing materials and obtaining and confirming quotations from suppliers pursuant to the work plan and programme as set out in the tender submission.

The project management process includes preparing shop drawings, devising detailed construction work plan, procurement of construction materials, subcontracting construction works, coordination with the customer or its consultants, subcontractors and suppliers and taking charge in the overall management of these works. We usually confirm all subcontractors before the commencement of construction works and confirm suppliers as we generally require our customer’s approvals on the construction materials before placing orders.

- (a) *Shop drawings*: Our project team will prepare shop drawings to our customers for approval. The shop drawings usually address the appearance performance and prescriptive descriptions in the construction documents.
- (b) *Work planning*: Our project team is led by a project manager, who is responsible for formulating a construction master programme or work planning, communicating with other members of the project, monitoring the progress in accordance with the working plans and specifications required by the customers and the performance of workers. Work plans will be devised by the project team according to the contract requirements. Typically, the work plans will show the sequence of individual tasks, which have been categorised with sufficient details, to ensure effective monitoring of work done. The work plans will also incorporate key dates and milestone dates of the project to ensure that the project timetable is closely followed.

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- (c) *Procurement of construction materials:* We generally purchase construction materials from our approved list of suppliers. The procurement team is responsible for the procurement of construction materials for the projects, including inviting quotations, conducting price evaluation and negotiation, and allocating resources for all projects. They will also confirm the terms and delivery schedule with our customers or their consultants. They enable our Group to coordinate the allocation of our existing resources among different construction sites to maximise utilisation of resources. The procurement team sources all kinds of major construction materials for our structural works and fitting-out works projects, such as round reinforcing steel bars, concrete, glass, cement, plywood, tiles, carpets, wallcovering, fabrics, marbles, sanitary-ware and ironmongery on a project-by-project basis, so that we can control the delivery time and pricing to ensure valuable and important materials can be delivered to site on time for installation and completion of projects. In some circumstances, our customers may request to purchase construction materials on their own and they would subsequently charge us, and please refer to the paragraph headed “Customers — Contra-charge arrangement with our customers’ in this section for details.

We place the purchase order to our suppliers based on the progress of the project, and the construction materials are generally delivered directly to the construction site after purchase order is confirmed. We do not keep any construction materials as our inventory as such construction materials are procured on a project-by-project basis pursuant to the specifications under the construction contracts. Our Group has established channels for the procurement of regular construction materials and has formed long-term cooperation relationships with our suppliers. We do not foresee any difficulties in sourcing materials in the future. Further, our Group selects the suppliers based on their past performances and their capacity to comply with the specified project requirements through a competitive tendering process. For further details of selection of suppliers, please refer to the paragraph headed “Suppliers and subcontractors — Suppliers” in this section.

- (d) *Subcontracting:* In Macau, there are a number of construction companies carrying out a specific task in a construction project as subcontractors. Subcontracting helps our Group to reduce management costs and improve quality of construction works. The commercial manager works with the project team for our Group’s subcontracting matters. Before our Group outsources certain parts of the works to subcontractors, we will take into account, among others, our Group’s internal resources level, cost effectiveness of subcontracting and level of complexity of the works involved. In some circumstances, we may require the subcontractors to provide machinery and equipment to carry out certain tasks. For further details of our Group’s subcontractors, please refer to the paragraph headed “Suppliers and subcontractors — Subcontractors” in this section.

(2) Execution of construction project

Generally, subject to the nature and scale of the projects undertaken by us, we have our project team, together with labour and subcontractors, to execute a construction project. Our project manager oversees the overall project operations, supervise daily activities, arrange resources and coordinate all administrative works for projects. Our project coordinator helps project manager to handle submissions and administrative works. Our site supervisor or engineer (for structural works) are

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responsible for supervising all workers on-site and ensuring the works are carried out and conform with the construction programme or work plan. Our design manager (for fitting-out works) is responsible for shop drawings. Our foremen are responsible for monitoring the discipline of and the work performed by the workers. Our safety officers, who are qualified persons approved by the government authorities, are responsible for implementing safety plan, on-site inspection and meeting with our customers for safety policies. Our construction workers and/or our subcontractors execute the construction works in accordance with the construction programme.

Our project team monitors the work progress from time to time, and also meets our customers from time to time to discuss any issues identified during the course of execution and any risks in delaying the construction project. Our project team also meets our subcontractors regularly to obtain updated progress of the project, as well as to ensure that they can meet the specifications and quality requirements under the construction contracts.

During the course of execution of the project, our customers may request additional services or changes in the specifications as agreed in the original construction contracts, or confirm the provisional items/optional works as set out in the construction contracts, which may result in additional works and extra payments to be charged by our Group. Our quantity surveyor will prepare and submit all the variation orders which shall be reviewed by our project manager. Some items of works might not have reference in the contract, so our quantity surveyor will then provide a fee estimate on the variation order which shall be approved by our customers. Generally, our Group and our customers will agree the fees for the additional works under the variation orders in accordance with schedule of rates under the construction contract.

(v) **Inspection and application for payment and certification**

Our customers will inspect our work done and quality from time to time to ensure our works are in compliance with the specifications and requirements under the construction contracts.

Our project team is in charge of application of progress payment. In respect of the interim period during the contract period, we normally submit a written payment application to our customers on a monthly basis with reference to the value of work done unless the construction contracts have specified that payment is paid on a milestone or regular basis for a pre-agreed sum. The payment application usually includes monthly progress report, together with the work done and variation orders (if applicable) and any other documents as required by customers. In some projects, the amount we receive from some customers (who are also our suppliers of certain construction materials) will be settled by netting it off by any contra-charge our customers have paid on our behalf. The contra-charge consists of construction material costs and other construction overhead costs. For further details of the contra-charge arrangement, please refer to the paragraph headed “Suppliers — Contra-charge arrangement with our customers” in this section. The payment is subject to the satisfaction of inspection and assessment by our customers. Generally, an authorised person, usually a quantity surveyor employed by our customer, would arrange a progress payment certificate to be issued for proving the works-in-progress in the preceding month. It normally takes 30 days following the receipt of payment application by our customers or within the prescribed period as set out in the contract for such certificate to be issued. After issuing the payment certificate, our customers will then make progress payment to us.

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(vi) Project completion and defect liability period

- (a) Project completion: All construction projects must undergo acceptance check by an authorised person, such as an architect or a project manager employed by our customers, upon completion of the works. The finished/completed works will then return to the possession of our customers. After a completion certificate is issued or once practical completion of site works (upon handover of construction site to the customers), our quantity surveyor will prepare and submit to our customers a statement of final account together with supporting documentation showing in detail the total amount payable in respect of the construction works. Generally, within six months after receipt of the statement of final account and of all information reasonably required for its verification, our customer will confirm its calculation of final contract sum and issue a payment certificate of final contract sum.
- (b) Defect liability period: Our customers would normally require a defect liability period, during which our Group is responsible for rectifying defects found in the completed works, if any, for 3 to 24 months from the date of issue of completion certificate or the practical completion of site works depending on our customers' requirement. Our Group would generally require from our subcontractors a back-to-back defect liability period, during which our subcontractors are responsible for rectifying any defects found. During the defect liability period, construction defect rectification may be provided by us free of charge if the defects are covered by the scope of quality warranties stipulated in the construction contract; otherwise, our Group will provide construction defect rectification for additional charges.

Our Group's project team is responsible for the matters regarding the acceptance check and the defect liability period. After the expiry of defect liability period and if there is no further notice from our customers, our Group will be discharged from any further liabilities from the construction projects. Subject to the terms specified in the contracts, our customers will release the retention money to us.

CUSTOMERS

During the Track Record Period, our customers were mainly hotel and casino owners, the main contractors of various types of construction works and property developer in Macau. We generally obtained the construction contracts by participating in the tender process, either through tenders invited by our customers. We had submitted 72, 33, 40, 45 and 28 tenders with quotations for construction projects, out of which 12, 2, 7, 6 and 7 were successful tenders during the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, respectively, and our success rates for tenders were approximately 16.7%, 6.1%, 17.5%, 13.3% and 25.0% for the corresponding years/period, respectively. During the Track Record Period, we recorded a relatively low tender success rate as it was our Group's strategy to be responsive to customers' tender invitations and submit tenders in various sizes according to the industry trend, in order to (i) maintain business relationship with existing customers, (ii) maintain our presence in the market, and (iii) be informed of the latest market development and pricing trends for tendering projects in the future.

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Major customers

During the Track Record Period, the percentage of revenue contributed by the five largest customers amounted to approximately 99.4%, 91.3%, 96.5%, 92.6% and 91.5% respectively, while the percentage of revenue contributed by the largest customer amounted to approximately 74.7%, 34.6%, 51.1%, 68.4% and 57.3% respectively.

Tables below set forth the information of our five largest customers during the Track Record Period:

For the year ended 31 December 2014

Rank	Name of customers	Type of services provided by our Group	Recognised revenue (MOP'000)	Approximate % of total revenue	Business relationship with our customers commenced since
1	Customer A <i>(Note 1)</i>	Structural works and fitting-out works	391,877	74.7%	2013
2	Customer B <i>(Note 2)</i>	Fitting-out works	44,944	8.6%	2013
3	Customer C <i>(Note 3)</i>	Structural works and fitting-out works	36,507	7.0%	2013
4	Customer D <i>(Note 4)</i>	Structural works	30,904	5.9%	2014
5	Customer E <i>(Note 5)</i>	Fitting-out works	16,607	3.2%	2008
	Total:		<u>520,839</u>	<u>99.4%</u>	

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For the year ended 31 December 2015

Rank	Name of customers	Type of services provided by our Group	Recognised revenue (MOP'000)	Approximate % of total revenue	Business relationship with our customers commenced since
1	Customer D	Structural works	138,072	34.6%	2014
2	Customer A	Structural works and fitting-out works	120,756	30.3%	2013
3	Fu Tat Lei	Structural works and fitting-out works	49,873	12.5%	2011
4	Customer F (Note 6)	Fitting-out works	27,819	7.0%	2014
5	Customer C	Structural works and fitting-out works	27,544	6.9%	2013
Total:			<u>364,064</u>	<u>91.3%</u>	

For the year ended 31 December 2016

Rank	Name of customers	Type of services provided by our Group	Recognised revenue (MOP'000)	Approximate % of total revenue	Business relationship with our customers commenced since
1	Customer F	Fitting-out works	189,605	51.1%	2014
2	Customer D	Structural works	123,631	33.3%	2014
3	Customer E	Fitting-out works	25,163	6.8%	2008
4	Customer G (Note 7)	Fitting-out works	12,018	3.2%	2014
5	Fu Tat Lei	Structural works and fitting-out works	7,943	2.1%	2011
Total:			<u>358,360</u>	<u>96.5%</u>	

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For the year ended 31 December 2017

Rank	Name of customers	Type of services provided by our Group	Recognised revenue (MOP'000)	Approximate % of total revenue	Business relationship with our customers commenced since
1	Customer E	Fitting-out works	126,733	68.4%	2008
2	Customer D	Structural works	14,185	7.7%	2014
3	Customer B	Fitting-out works	12,008	6.5%	2013
4	Customer F	Fitting-out works	10,578	5.7%	2014
5	Customer H (Note 8)	Fitting-out works	7,923	4.3%	2017
	Total:		<u>171,427</u>	<u>92.6%</u>	

For the five months ended 31 May 2018

Rank	Name of customers	Type of services provided by our Group	Recognised revenue (MOP'000)	Approximate % of total revenue	Business relationship with our customers commenced since
1	Customer E	Fitting-out works	55,089	57.3%	2008
2	Customer F	Fitting-out works	10,190	10.6%	2014
3	Customer I (Note 9)	Fitting-out works	9,000	9.4%	2017
4	Customer J (Note 10)	Structural works	6,971	7.3%	2017
5	Customer K (Note 11)	Structural works	6,670	6.9%	2017
	Total:		<u>87,920</u>	<u>91.5%</u>	

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Notes:

1. Customer A is a joint venture established in Macau which carries out construction business, and is formed by two companies both of which are a subsidiary of a company listed on the Main Board of the Stock Exchange. For the year ended 31 March 2017, each parent company of the joint venture partners of Customer A reported revenues of approximately HK\$6.1 billion and HK\$6.1 billion, respectively. The revenue from customer A was derived from both the structural works and fitting-out works segment.
2. Customer B is a private company incorporated in Macau which carries out construction business as a main contractor and a subsidiary of a company listed on the Main Board of the Stock Exchange. For the year ended 31 December 2016, parent company of Customer B reported revenue of approximately HK\$9.8 billion.
3. Customer C is a private company incorporated in Hong Kong which carries out construction business as a main contractor and a subsidiary of a company listed on ASX Limited. According to the publicly available information, the parent company of Customer C and its subsidiaries provide construction, mining, mineral processing, engineering concessions, and operation and maintenance services and it operates in more than 20 countries throughout Asia Pacific, the Middle East, North and South America and Sub-Saharan Africa.
4. Customer D is a private company incorporated in Macau which provides civil engineering works services, and is part of a group of construction-related companies with operations over 80 countries and the sales of that group reached €11.8 billion in 2016. The revenue from customer D was derived from the structural works segment.
5. Customer E is a group of three private companies incorporated in Macau and one private company incorporated in Cyprus which operate hotel, casinos and resorts in Macau and Cyprus. Customer E is a group of subsidiaries indirectly held by a company listed on the Main Board of the Stock Exchange. The revenue from customer E was derived from the fitting-out works segment.
6. Customer F is a joint venture established in Macau which carries out construction business. Customer F is formed by two companies, both of which are a subsidiary of the same company listed on the Main Board of the Stock Exchange and the said listed company reported revenue of approximately HK\$46.2 billion for the year ended 31 December 2016. The revenue from customer F was derived from the fitting-out works segment.
7. Customer G is two private companies incorporated in Macau, both of which are a subsidiary of the same company listed on the Main Board of the Stock Exchange which together with its subsidiaries operates casinos and resorts. For the year ended 31 December 2016, Customer G group reported net revenues of approximately US\$6.7 billion.
8. Customer H is a private company incorporated in Macau which is a property development company that owns properties and hotels in Macau.
9. Customer I is a private company incorporated in Macau which is a property development company.
10. Customer J is a private company incorporated in Macau which is a property development company.
11. Customer K is a private company incorporated in Macau which is a construction company.

Fu Tat Lei was incorporated in Macau and is indirectly owned as to 50% equity interest by Red Development which is indirectly and wholly owned by Mr. Lao and Mrs. Lao, and the remaining 50% equity interest is collectively owned by three Independent Third Parties who are merchants in construction and real estate industry. Fu Tat Lei is a project company that has only one real estate project (i.e. residential development in Taipa, Macau), that is a seven-storey building with 28 residential units and six commercial units. To the best knowledge of our Directors, and upon

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reasonable enquiry, Fu Tat Lei has recorded around MOP490 million revenue with profit making during the Track Record Period, and it had no outstanding debt as at 31 December 2017. The transactions with Fu Tat Lei were related to their only residential construction project, which our Group acted as a main contractor for structural works and fitting-out works, were awarded by way of tender. Our Directors confirmed that the transactions with Fu Tat Lei were conducted in an ordinary and usual course of business and on normal commercial term between Fu Tat Lei and us, and were fair and reasonable and in the interest of our Group and our Shareholders as a whole. Please refer to the paragraph headed “Financial Information — Related parties transactions — 1. Revenue received from Fu Tat Lei” for details. To the best knowledge of our Directors, save as disclosed in the paragraph headed “Financial Information — Related parties transactions — 1. Revenue received from Fu Tat Lei”, there is no other past or present connected relationship between our Group and any of these independent shareholders and their respective associates.

Save for Fu Tat Lei, to the best knowledge of our Directors, none of our Directors, their close associates or any Shareholders (who or which, to the best knowledge of our Directors owns more than 5% of the issued share capital of our Company) has any interest in any of our five largest customers during the Track Record Period.

Reliance on major customers, hotel and casino sector, large-scale structural works, and sustainability of our Group’s business

During the Track Record Period, our five largest customers for each year/period had made a significant contribution to our revenue which amounted to approximately 99.4%, 91.3%, 96.5%, 92.6% and 91.5% of the total revenue of our Group, and our largest customer for each year, that is Customer A, Customer D, Customer F and Customer E, had contributed approximately 74.7%, 34.6%, 51.1%, 68.4% and 57.3% of the total revenue of our Group, for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, respectively. It was mainly due to (i) the project size by these largest customers throughout the Track Record Period was relatively large in terms of revenue, and these projects had generated consistent and significant revenue, and (ii) these largest customers had awarded more than one project to our Group during the Track Record Period.

For the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, our revenue from structural works were approximately 83.8%, 50.1%, 35.4%, 11.6% and 22.9% of the total revenue of our Group, respectively. We also recorded a decrease in our total revenue during the Track Record Period. The decreasing trend in our revenue contribution from structural works and our overall revenue was mainly due to a number of sizeable structural works projects had reached their final stage or had completed.

Our Directors consider that our Group does not solely rely on any single one of our major customers nor large-scale structural works and our Group’s business is sustainable on the following bases:

- (a) According to the Frost & Sullivan Report, in 2017, our Group were the fourth largest player in the commercial fitting-out works market in Macau in terms of revenue.

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- (b) During the Track Record Period, our major customers were mainly hotel and casino owners and main contractors of hotel and casino construction projects, generally require their contractors to provide certain high standard structural works and fitting-out works services for their high-end and luxury hotels and casinos. They maintain an approved list of contractors, of which our Group is one of the approved contractors to provide high standard construction services. As recognition of our quality construction works, solid project management and time management, we had received letters of appreciation from some of our customers. Over the years, our customers including those hotel and casino owners invited us to submit tenders for their construction works from time to time.
- (c) We had at least three years business relationship with most of our major customers who are hotel and casino owners and main contractors of hotel and casino construction projects, and one of them had more than nine years business relationship with us. On this basis, our Directors consider that our Group has built up a good reputation in the construction industry in Macau and has also established stable business relationships with our customers. Given our proven track record on hotel and casino projects, we believe that we are capable to continue our development in the hotel and casino sectors and at the same time expand our customer base.
- (d) As an usual construction project has different phases, the hotel and casino owners and main contractors will invite their approved contractors for participating in tenders for fitting-out works before the completion of structural works. The fitting-out works usually commence when the structural works are completed or nearly completed.
- (e) Due to the business nature, hotel and casino owners generally expand and renovate the hotels, casinos, entertainment facilities and ancillary facilities from time to time. Our Directors consider that as our Group is in the approved contractors list of the hotel and casino owners, and the main contractors of hotel and casino construction projects, we are given the opportunities and will continue to participate in the tenders offered by these customers.
- (f) According to the Frost & Sullivan Report, given the fitting-out market is dominated by the six licensed casino gaming operators, it is common for construction companies in Macau to work with a few customers. The largest customer for each of the years ended 31 December 2014, 2015, 2016 and 2017 were different. Although our largest customer for the year ended 31 December 2017 and the five months ended 31 May 2018 is the same, our Group did not solely rely on one single customer and we have endeavoured and will continue to expand our customer base.
- (g) According to the Frost & Sullivan Report, despite the downturn in Macau tourism and gaming industries in 2015, the Macau Government has launched various promotional campaigns and related policies to support Macau economy and market. Meanwhile, the completion of Hong Kong — Zhuhai — Macau Bridge in the coming years is expected to promote further development in Macau, including the construction of new shopping malls, commercial areas, hotels and casinos. Hence, it is expected that the value of construction work done of Macau will continue to grow at a CAGR of 15.6% from 2017 to 2022,

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reaching MOP187.2 billion in 2022. Furthermore, the planning of new urban zone development will also increase the demand for construction of public housing. As such, taking into account, (i) the continuous growth of construction works; (ii) recovery of tourism and gaming industry; and (iii) new land development and government projects to be launched in the coming years, there are lots of business opportunities for our Group in the near future in Macau. Please refer to “Business strategies” in this section for details of our business expansion plan.

- (h) After the Track Record Period, we were awarded with two new construction contracts. As at the Latest Practicable Date, we had 17 on-going projects (either in progress or yet to commence) with an aggregate contract sum of approximately MOP762.0 million. The said contract sum does not take into account any variation orders issued by our customers. Up to 31 May 2018, approximately MOP565.5 million, including revenue from the variation orders, has been recognised for the 17 on-going projects. It is expected that these 17 on-going projects will contribute an estimated backlog revenue of approximately MOP262.6 million and MOP45.5 million to be recognised for the years ending 31 December 2018 and 2019, respectively. As at the Latest Practicable Date, there were 20 projects for which we had yet to receive results after submitting the tenders or quotations with an aggregate expected contract sum of approximately MOP605.7 million. Since the beginning of the year 2017, our customer base has been diversified. In 2017, we had five new customers who are not in the hotel and casino sector. Our Group will continue to expand our customer base to cover both private and public sectors and intend to use the net proceeds from the Global Offering to purchase machinery for the structural works projects in the near future and to enhance our financial position to bid and undertake more projects and larger scale projects. We also intend to hire additional experienced personnel, such as commercial director who is familiar with the Macau construction industry including both private and public sectors, for purpose of supporting the development of our Group’s business.

- (i) We are capable of carrying various sizes of structural and fitting-out works. Given the number of sizeable hotel and casino projects in Macau has been decreased since 2016 as various major projects are completed and pending for new ones to commence, as at the Latest Practicable Date, our Group had secured new projects with new customers. Regardless of the fluctuation in our revenue and revenue contribution from structural works, we were able to achieve a steady gross profit and maintain a similar level of profitability during the Track Record Period. Our gross profit was approximately MOP53.4 million, MOP51.0 million, MOP58.7 million, MOP50.0 million and MOP24.1 million, respectively, for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 respectively, while our gross profit margin was approximately 10.2%, 12.8%, 15.8%, 27.0% and 25.0%, respectively.

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Key terms of construction contracts

Generally, upon winning a tender, the project owner or the main contractor will then enter into a formal contract with us. Some of the key terms of the construction contracts are set out as follows:

Scope of works:	The scope of works and services to be undertaken by our Group, and the specifications and requirements under the projects.
Contract period:	The contracts generally set out the work schedule as required by our customers and may be extended pursuant to the terms of the construction contracts.
Contract sum and payment terms:	Generally, a fixed contract fee is paid for our works. Our Group will prepare a payment application to our customers, which contains a statement setting out the details of works performed by us, estimated fees for our work done and costs of materials delivered pursuant to the construction contracts on a monthly basis. The payment is subject to the satisfaction of inspection and assessment by our customers and presentation of a payment certificate.
Performance bond:	Generally, depending on our customers' requirements, our Group is required to provide a performance bond equivalent to certain percentage of the contract sum (generally, 5% to 10%) issued by the banks or insurance companies in favour of our customers as securities for due performance and observance of our Group's obligations. The performance bond are usually released upon the expiry of defect liability period.
Subcontracting:	Our Group is normally allowed to engage subcontractors to carry out the works, but we are required to be responsible for the works performed by those subcontractors.
Insurance:	Generally, the project owner or the main contractor will maintain insurance policies against our employees and the workers of our subcontractors.
Final payment:	The statement of final account together with supporting documentation showing in detail the total amount payable in respect of the construction works must be submitted to the customer within the prescribed period as set out in the contract. Generally, within six months after receipt of the statement of final account and of all information reasonably required for its verification, the authorised person of our customer will confirm its calculation of final contract sum and issue a payment certificate of final contract sum.

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Defect liability period and retention monies:

The defect liability period is normally 3 to 24 months from issuance of the completion certificate or the practical completion subject to the customer's requirement.

Pursuant to the construction contracts, our customers are entitled to withhold a certain percentage of each interim payment to secure the due performance of our Group, and generally they will retain up to 10% of each interim payment and 5% to 10% of the total contract sum as retention money. In general, our customers will usually release 50% of the retention money upon issuance of the completion certificate or practical completion and the remaining 50% of the retention money after the end of defect liability period or as specified in the relevant construction contracts.

Pricing

The prices or contract sum of our construction works are determined on a project-by-project basis. Our Group generally estimates the gross profit margin of a project based on various factors, including the scope, complexity and specifications of the project, capacity, prevailing competitiveness and financial condition of our Group, the availability of manpower and expertise, the quotations from suppliers and subcontractors, materials price trend, wage trend, and previous tender records. Our commercial manager works with other teams, such as procurement team and finance team, for preparing the tender quotation, analysing project requirements including amounts of construction materials and labour required, obtaining the quotations from suppliers and subcontractors. We generally set out the quotation for each tasks of construction projects. One of our executive Directors and/or our commercial manager will approve the tender submission.

Credit policy

We implement a cost management system covering different aspects of our operations to control and monitor the costs of our projects in order to avoid or reduce the impact of cost overrun due to project delays or other reasons.

Subject to the terms of construction contracts, we submit the payment applications to our customers either on monthly basis or upon achieving key milestones. The payment is subject to the satisfaction of inspection and assessment by our customers, and they will issue the payment certificate. We will then issue an invoice to our customers for settlement. We generally grant a credit period ranging from seven days to 60 days either from (i) the date of our payment application; or (ii) the receipt of the corresponding payments by our customers from the project owners, as the case may be. Our quantity surveyor of each project monitors the settlement status of our account receivables closely on an on-going basis. Our Group recorded an allowance for doubtful debts of approximately MOP3.2 million during the year ended 31 December 2016, and there was no allowance for doubtful debts for the years ended 31 December 2014, 2015 and 2017 and the five months ended 31 May 2018. Details of the movement in doubtful debts are set out in Note 19 to the Accountants' Report in Appendix I to this prospectus.

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During the Track Record Period, our customers paid and settled our contract fees by way of bank transfer or cheques, which are mainly denominated in MOP and HK\$.

For details of our receivables turnover days, please refer to the paragraph headed “Financial Information — Assets and liabilities — Trade receivables” in this prospectus.

Contra-charge arrangement with our customers

According to the Frost & Sullivan Report, it is common in the construction industry in Macau that a customer may pay on behalf of its contractor certain expenses for a project. Such expenses are typically reduced from its payments to that contractor in settling its contractual fees for the project. Such payment arrangement is referred to as the “contra-charge arrangement” and the amounts involved are referred to as the “contra-charge”.

During the Track Record Period, we had contra-charge arrangement with some of our customers. Such contra-charge consisted of construction material costs and other construction overhead costs. Pursuant to the contra-charge arrangement set out in the contract with our customers, or at the discretion of our customers, our customer may purchase construction materials specified in the contracts such as concrete and round reinforcing steel bars, make payments on other construction overhead costs on our behalf, where we settled such amounts with our customers through contra-charge arrangement.

For the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, our contra-charge incurred amounted to approximately MOP158.7 million, MOP86.6 million and MOP40.9 million, MOP13.6 million and MOP10.0 million respectively, representing approximately 33.7%, 24.9%, 13.1%, 10.1% and 13.8% of our total cost of sales for the same years/period, respectively.

During the Track Record Period, as confirmed by our Directors, we had no material dispute with our customers as regards the contra-charge arrangement.

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Below table sets forth the contra-charge arrangements with our five largest customers during the Track Record Period:

	Year ended 31 December										Five months ended 31 May 2018	
	2014		2015		2016		2017		2018			
	<i>MOP'000</i>	<i>Approximate %</i>	<i>MOP'000</i>	<i>Approximate %</i>	<i>MOP'000</i>	<i>Approximate %</i>	<i>MOP'000</i>	<i>Approximate %</i>	<i>MOP'000</i>	<i>Approximate %</i>	<i>MOP'000</i>	<i>%</i>
Customer A												
Revenue derived and approximate % of total revenue	391,877	74.7	120,756	30.3	3,095	0.8	—	—	867	0.9		
Contra-charge amount and approximate % of total cost of sales	152,273	32.3	8,232	2.4	-2,127	—	N/A	N/A	609	0.8		
Gross profit and approximate % of total gross profit	40,386	75.6	34,069	66.8	5,493	9.4	N/A	N/A	2,684	11.2		
Customer B												
Revenue derived and approximate % of total revenue	44,944	8.6	24,215	6.1	4,237	1.1	12,008	6.5	3,945	4.1		
Contra-charge amount and approximate % of total cost of sales	5,299	1.1	9,096	2.6	N/A	N/A	8,397	6.2	-1	less than 0.1		
Gross profit and approximate % of total gross profit	3,604	6.7	-8,896	—	N/A	N/A	9,670	19.3	307	1.3		
Customer C												
Revenue derived and approximate % of total revenue	36,507	7.0	27,544	6.9	4,268	1.1	2,001	1.1	—	—		
Contra-charge amount and approximate % of total cost of sales	82	less than 0.1	1,460	0.4	185	less than 0.1	610	0.5	N/A	N/A		
Gross profit and approximate % of total gross profit	1,975	3.7	-1,747	—	-8	—	1,383	2.8	N/A	N/A		
Customer D												
Revenue derived and approximate % of total revenue	30,904	5.9	138,072	34.6	123,631	33.3	14,185	7.7	—	—		
Contra-charge amount and approximate % of total cost of sales	1,038	0.2	65,950	18.9	38,909	12.4	2,289	1.7	N/A	N/A		
Gross profit and approximate % of total gross profit	3,365	6.3	17,793	34.9	26,960	45.9	7,724	15.4	N/A	N/A		
Customer E												
Revenue derived and approximate % of total revenue	16,607	3.2	5,630	1.4	25,163	6.8	126,733	68.4	55,089	57.3		
Contra-charge amount and approximate % of total cost of sales	N/A	N/A	N/A	N/A	N/A	N/A	1,672	1.2	9,290	12.9		

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	Year ended 31 December								Five months ended	
	2014		2015		2016		2017		31 May	
	MOP'000	Approximate %	MOP'000	Approximate %	MOP'000	Approximate %	MOP'000	Approximate %	MOP'000	Approximate %
Gross profit and approximate % of total gross profit	N/A	N/A	N/A	N/A	N/A	N/A	21,184	42.4	8,403	34.9
Customer F										
Revenue derived and approximate % of total revenue	—	—	27,819	7.0	189,605	51.1	10,578	5.7	10,190	10.6
Contra-charge amount and approximate % of total cost of sales	N/A	N/A	1,687	0.5	3,672	1.2	635	0.5	74	0.1
Gross profit and approximate % of total gross profit	N/A	N/A	-2,887	—	22,745	38.7	7,570	15.1	7,284	30.3
Customer G										
Revenue derived and approximate % of total revenue	—	—	4,477	1.1	12,018	3.2	1,141	0.6	—	—
Contra-charge amount and approximate % of total cost of sales	N/A	N/A	135	less than 0.1	289	less than 0.1	40	less than 0.1	N/A	N/A
Gross profit and approximate % of total gross profit	N/A	N/A	442	0.9	-217	—	-56	—	N/A	N/A
Customer H										
Revenue derived and approximate % of total revenue	—	—	—	—	—	—	7,923	4.3	—	—
Contra-charge amount and approximate % of total cost of sales	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gross profit and approximate % of total gross profit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fu Tat Lei										
Revenue derived and approximate % of total revenue	—	—	49,873	12.5	7,943	2.1	N/A	N/A	N/A	N/A
Contra-charge amount and approximate % of total cost of sales	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gross profit and approximate % of total gross profit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Customer I										
Revenue derived and approximate % of total revenue	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	9,000	9.4
Contra-charge amount and approximate % of total cost of sales	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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	Year ended 31 December						Five months ended 31 May 2018			
	2014		2015		2016		2017		2018	
	<i>MOP'000</i>	<i>Approximate %</i>	<i>MOP'000</i>	<i>Approximate %</i>	<i>MOP'000</i>	<i>Approximate %</i>	<i>MOP'000</i>	<i>Approximate %</i>	<i>MOP'000</i>	<i>Approximate %</i>
Gross profit and approximate % of total gross profit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Customer J										
Revenue derived and approximate % of total revenue	N/A	N/A	N/A	N/A	N/A	N/A	4,829	2.6	6,971	7.3
Contra-charge amount and approximate % of total cost of sales	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gross profit and approximate % of total gross profit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Customer K										
Revenue derived and approximate % of total revenue	N/A	N/A	N/A	N/A	N/A	N/A	1,493	0.8	6,670	6.9
Contra-charge amount and approximate % of total cost of sales	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gross profit and approximate % of total gross profit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note: N/A means there was no contra-charge arrangement with the relevant customers during the relevant year/period.

SALES AND MARKETING

During the Track Record Period, our Group secured new projects mainly through direct invitations to tender by our customers. With the assistance of our commercial manager, our executive Directors and senior management will also contact our existing customers to maintain business relationship and source business opportunities. To explore the business opportunities and expand our business, we will hire an experienced commercial director.

SUPPLIERS AND SUBCONTRACTORS

During the Track Record Period, our suppliers and subcontractors were required on a regular basis for our business operation, which included (i) subcontractor for carrying out the site works, and (ii) material suppliers for supplying construction materials used in the site works.

Suppliers

The major materials used by our Group are mainly construction materials for our structural works projects or fitting-out works projects, which include round reinforcing steel bars, concrete, glass, cement, plywood, tiles, carpets, wallcovering, fabrics, marbles, sanitary-ware and ironmongery. Our Group generally sources the construction materials from Macau, the PRC, and Hong Kong. Unless the

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suppliers are nominated by our customers or materials provided by our customers under the construction contracts by way of contra-charge arrangement, we purchase construction materials from our pre-qualified list of suppliers and only those suppliers are invited to submit quotations or tenders. Our Group evaluates suppliers and decides whether to include those suppliers in our pre-qualified list based on the information, such as background information, track records, quality of products, selling price, delivery time, after-sale services and reputation of the relevant suppliers from time to time. When selecting the suppliers from the pre-qualified list, we generally consider their past performance, capacity to comply with the specified project requirements and the price of construction materials through a tendering process.

We do not enter into any long-term agreement with the suppliers. We normally compare prices with at least three suppliers in order to obtain the best offer to reduce cost. Our Group requires the construction materials on a project-by-project basis, and therefore we generally undertake a tendering process with the suppliers. After confirming with the suppliers, we will enter into a purchase agreement with them setting out the price and specification of products. We will send the delivery schedule after the purchase agreement is signed, and the construction materials will be delivered to the construction site directly. The payment is made in accordance with the terms of the purchase agreement. We settle our payment by cheque or bank transfer. During the Track Record Period and up to the Latest Practicable Date, our Group did not experience any material fluctuation in the costs of materials and services that had a material impact on our business, financial conditions and results of operations. When we prepare tenders, we usually obtain the quotations from our suppliers, and take into account various factors, including the overall costs and price trend of construction materials, and therefore we are generally able to pass any increase in direct costs to our customers.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we did not experience any material shortage or delay in the supply of construction materials we required.

Major suppliers

During the Track Record Period, the construction material costs (without taking into account the contra-charges incurred) we paid to our five largest suppliers were approximately MOP12.7 million, MOP8.5 million, MOP10.0 million, MOP6.8 million and MOP4.4 million, representing approximately 54.0%, 28.0%, 41.6%, 42.7% and 64.4% of our total construction material costs (without taking into account the contra-charges incurred), respectively, and the construction material costs (without taking into account the contra-charges incurred) for our largest supplier were approximately MOP6.5 million, MOP2.7 million, MOP2.9 million, MOP2.4 million and MOP1.4 million, representing approximately 27.5%, 8.9%, 11.9%, 15.4% and 20.7% of our total construction material costs (without taking into account the contra-charges incurred), respectively.

Table below sets forth the information of our five largest suppliers (excluding customers that provide construction materials by way of contra-charge arrangement) during the Track Record Period:

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For the year ended 31 December 2014

Rank	Name of suppliers	Background of suppliers	Purchase costs (MOP'000) (Note 1)	Approximate % of total construction material costs incurred by our Group for the year (Note 1)	Type of purchase	Business relationship with our suppliers commenced since
1	Supplier A	A private company incorporated in Hong Kong which supplies construction materials and sanitary equipment	6,477	27.5%	Steel	2014
2	Supplier B	A sole-proprietorship based in Macau which supplies metal and building materials	2,242	9.5%	Metal and building materials	2009
3	Supplier C	A private company based in Macau which supplies building materials	1,390	5.9%	Concrete	2013
4	Supplier D	A private company incorporated in Hong Kong which supplies hardware, plumbing and heating equipment systems	1,351	5.7%	Ironmongery	2013
5	Supplier E	A private company incorporated in Malaysia which distributes architectural materials	1,269	5.4%	Rubber bumper	2014
Total:			<u><u>12,729</u></u>	<u><u>54.0%</u></u>		

BUSINESS

For the year ended 31 December 2015

Rank	Name of suppliers	Background of suppliers	Purchase costs (MOP'000) (Note 1)	Approximate % of total construction material costs incurred by our Group for the year (Note 1)	Type of purchase	Business relationship with our suppliers commenced since
1	Supplier F (Note 2)	Supplier providing glass products	2,719	8.9%	Glass	2015
2	Supplier B	A sole-proprietorship based in Macau which supplies metal and building materials	2,264	7.4%	Metal and building materials	2009
3	Supplier G	A private company established in the PRC which supplies stone products	1,242	4.1%	Stone	2015
4	Supplier H	A PRC individual who supplies stone products	1,171	3.9%	Stone	2015
5	Supplier I	A private company established in the PRC which supplies furniture	1,122	3.7%	Furniture	2015
Total:			<u>8,518</u>	<u>28.0%</u>		

BUSINESS

For the year ended 31 December 2016

Rank	Name of suppliers	Background of suppliers	Purchase costs (MOP'000) (Note 1)	Approximate % of total construction material costs incurred by our Group for the year (Note 1)	Type of purchase	Business relationship with our suppliers commenced since
1	Supplier F (Note 2)	Supplier providing glass products	2,852	11.9%	Glass	2015
2	Supplier J	A private company established in the PRC which supplies building products	2,155	9.0%	Ironmongery and sanitary wares	2015
3	Supplier K	A private company incorporated in the United States which supplies woven wire fabric system	1,954	8.2%	Aluminum drapery system	2016
4	Supplier B	A sole-proprietorship based in Macau which supplies metal and building materials	1,532	6.4%	Metal and building materials	2009
5	Supplier L	A private company established in the PRC which supplies decorative fabrics and weaving materials	1,458	6.1%	Wallcovering materials	2015
Total:			<u>9,951</u>	<u>41.6%</u>		

BUSINESS

For the year ended 31 December 2017

Rank	Name of suppliers	Background of suppliers	Purchase costs (MOP'000) (Note 1)	Approximate % of total construction material costs incurred by our Group for the period (Note 1)	Type of purchase	Business relationship with our suppliers commenced since
1	Supplier P (Note 3)	A private company based in Macau which trades of construction materials and provides construction and design services	2,434	15.4%	Building materials	2017
2	Supplier Q	A private company based in Macau which trades construction materials and provides construction and engineering consultancy services	1,331	8.4%	Building materials	2015
3	Supplier B	A sole-proprietorship based in Macau which supplies metal and building materials	1,153	7.3%	Metal and building materials	2009
4	Supplier O	A private company based in Macau which supplies cement	996	6.3%	Cement	2006
5	Supplier M	A private company based in Hong Kong which supplies tiles	854	5.3%	Tiles	2017
Total:			<u><u>6,768</u></u>	<u><u>42.7%</u></u>		

BUSINESS

For the five months ended 31 May 2018

Rank	Name of suppliers	Background of suppliers	Purchase costs (MOP'000) (Note 1)	Approximate % of total construction material costs incurred by our Group for the period (Note 1)	Type of purchase	Business relationship with our customers commenced since
1	Supplier R	A private company based in Macau which supplies tiles	1,407	20.7%	Tiles	2018
2	Supplier S	A private company based in Macau which supplies steel bars	1,327	19.6%	Steel bars	2014
3	Supplier Q	A private company based in Macau which supplies construction materials and provides construction and engineering consultancy services	943	13.9%	Building materials	2015
4	Supplier B	A sole-proprietorship based in Macau which supplies metal and building materials	361	5.3%	Metal and building materials	2009
5	Supplier T	A private company based in Hong Kong which supplies building materials	331	4.9%	Anti-slip oil	2017
Total:			<u><u>4,369</u></u>	<u><u>64.4%</u></u>		

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Notes:

1. The total construction material costs did not take into account the contra-charges incurred.
2. The purchase costs attributable to Supplier F represented the aggregate of purchases of construction materials from two private companies, of which one incorporated in Macau and another in Singapore which supplied glass products to our Group. These two companies are controlled by the same major shareholder.
3. In 2013, Ms. Athena Lao, our executive Director, and an independent third party (“**Shareholder P**”), who was working in construction industry, would like to develop material distributorship business and jointly established Supplier P in Macau with 50% shareholding each. They targeted to get distributorship right of floor coating materials from an overseas company but were not successful. Since then, both Ms. Athena Lao and Shareholder P devoted to their own business and career, and Supplier P had no actual business operation. In late 2016, Shareholder P resigned from his job of project manager in a Macau casino operator and in the first quarter of 2017, he decided to devote more time to develop the business of Supplier P. Shareholder P discussed with Ms. Athena Lao on his plan. Having considered the proposed directorship role in our Group, and to avoid any potential competing business upon Listing, Ms. Athena Lao decided to transfer her 50% shareholding in Supplier P to Shareholder P at nominal price. In the second quarter of 2017, Supplier P has commenced its trading of construction materials business and approached us to see any business opportunities in supplying construction materials. Our Group obtained price quotes from different suppliers (including Supplier P) and after comparison of prices and terms, has purchased materials for three projects from Supplier P during the year ended 31 December 2017.

Save for Supplier P as disclosed in note 3 above, none of our Directors, their associates or any Shareholders (which to the best knowledge of our Directors own more than 5% of the issued share capital of our Company immediately upon completion of the Global Offering) has any interest in our Group’s five largest suppliers during the Track Record Period.

Credit policy

During the Track Record Period, our Group’s suppliers were mainly located in Macau, the PRC and Hong Kong, and most of the purchase orders made by us are denominated in MOP, HK\$ and RMB. We generally settle our suppliers’ invoices by cheque or bank transfer within 90 days from the date of invoice or delivery date of the relevant purchases to us.

Subcontractors

Subcontracting helps to reduce management costs and improve quality of construction works. Our Group would subcontract certain parts of a project to subcontractors, depending on various factors, such as the availability of our Group’s resources, cost effectiveness and the complexity of such project. The commercial manager works with other teams for our Group’s subcontracting matters. During the Track Record Period, our Group delegated to our subcontractors various construction works which are labour intensive or require specific skill sets, for example steel works, reinforcement fixing works, self climbing formworks, excavation lateral support and dewatering works, wall and ceiling system works, painting works, floor finishes and skirting works.

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We have maintained long, stable working relationships with reliable subcontractors, especially for the more vital works in a construction project, ensuring the quality of works in the long run. We also constantly look for new subcontractors in the industry who offer competitive prices in the similar standard with a view to saving cost. We enter into subcontracting agreement on a project-by-project basis, which generally contains terms, such as scope of works, contract sum, payment terms, defect liability period and retention monies.

Our Group maintains the pre-qualified list of subcontractors. Before submission of tender to our customers, we generally obtain quotations from the subcontractors for the estimation of cost and confirm the availability of labour force and machinery required. Immediately after the award of contract by our customers, our Group normally invites tender from at least three potential subcontractors from the pre-qualified list, which we consider their services provided are relevant to the works specifications required by our customers and when our Group does not possess such machinery and equipment for certain works required. Upon receipt of the tender submissions from the potential subcontractors, our commercial manager will assess, among other things, pricing, financial status, capacity to comply with the specified project requirements, past performance and safety record, progress control and their reputation and resources. Throughout the execution of the construction projects, our project team holds regular meetings with the subcontractors in order to monitor the progress of the works of the project assigned to them and ensure that the subcontractors are complying with the contract terms and relevant laws and regulations.

During the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, our Group's subcontracting charges payable amounted to approximately MOP247.8 million, MOP206.6 million, MOP188.6 million, MOP80.2 million and MOP34.2 million, representing approximately 52.6%, 59.4%, 60.3%, 59.3% and 47.5% of our Group's cost of sales, respectively. During the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, our Group's five largest subcontractors accounted for approximately 47.7%, 34.1%, 44.7%, 46.8% and 50.9% of our subcontracting fees payable, and our Group's largest subcontractors accounted for approximately 25.0%, 8.6%, 18.3%, 17.6% and 17.1% of our subcontracting fees payable, respectively.

BUSINESS

For the year ended 31 December 2014

Rank	Name of subcontractors	Background of subcontractors	Subcontracting charges (MOP'000)	Approximately % of total subcontracting charges incurred by our Group for the year	Services provided by our subcontractors	Business relationship with our subcontractors commenced since
1	Subcontractor A	A private company based in Macau which provides construction services	61,945	25.0%	Metal formworks	2013
2	Subcontractor B	A sole-proprietorship based in Macau which principally provides construction services	24,870	10.0%	Reinforcement fixing works	2013
3	Subcontractor C	A sole-proprietorship based in Macau which principally provides interior decoration and engineering service	11,722	4.7%	Fitting-out works	2006
4	Subcontractor D	A sole-proprietorship based in Macau which principally provides engineering services	10,030	4.0%	Excavation lateral support and drainage works	2007
5	Subcontractor E	A sole-proprietorship based in Macau which provides reinforcement fixing works	9,850	4.0%	Reinforcement fixing works	2014
Total:			<u>118,417</u>	<u>47.7%</u>		

BUSINESS

For the year ended 31 December 2015

Rank	Name of subcontractors	Background of subcontractors	Subcontracting charges (MOP'000)	Approximately % of total subcontracting charges incurred by our Group for the year	Services provided by our subcontractors	Business relationship with our subcontractors commenced since
1	Subcontractor F	A private company based in Macau which principally provides decoration, construction and engineering services	17,785	8.6%	Fitting-out works	2014
2	Subcontractor G	A private company based in Macau which principally provides building materials and renovation services	17,062	8.3%	Joinery and stainless steel works	2015
3	Subcontractor H	A private company based in Macau which principally provides construction and engineering services	14,658	7.1%	Self climbing formworks and others	2014
4	Subcontractor I	A private company based in Macau which principally provides construction and decoration services	11,100	5.4%	Floor finishes and skirting works	2015
5	Subcontractor B	A sole-proprietorship based in Macau which principally provides construction services	9,726	4.7%	Reinforcement fixing works	2013
Total:			<u>70,331</u>	<u>34.1%</u>		

BUSINESS

For the year ended 31 December 2016

Rank	Name of subcontractors	Background of subcontractors	Subcontracting charges (MOP'000)	Approximately % of total subcontracting charges incurred by our Group for the year	Services provided by our subcontractors	Business relationship with our subcontractors commenced since
1	Subcontractor G	A private company based in Macau which principally provides building materials and renovation services	34,422	18.3%	Joinery and stainless steel works	2015
2	Subcontractor J	A private company based in Macau which principally provides engineering services	16,857	8.9%	Wall and ceiling system works	2011
3	Subcontractor K	A private company based in Macau which principally provides renovation and construction services	15,630	8.3%	Installation of glass partitions and doors, joinery, stainless steel, wall panelling, wall finishes, ceiling finishes and other works	2015
4	Subcontractor H	A private company based in Macau which principally provides construction and engineering services	8,831	4.7%	Self climbing formworks and others	2014
5	Subcontractor I	A private company based in Macau which principally provides construction and decoration services	8,467	4.5%	Floor finishes and skirting works	2015
Total:			<u>84,207</u>	<u>44.7%</u>		

BUSINESS

For the year ended 31 December 2017

Rank	Name of subcontractors	Background of subcontractors	Subcontracting charges (MOP'000)	Approximately % of subcontracting charges incurred by our Group for the period	Services provided by our subcontractors	Business relationship with our subcontractors commenced since
1	Subcontractor N	A private company based in Macau which principally provides construction and decoration services	14,128	17.6%	Wet works and concrete works	2016
2	Subcontractor L	A sole-proprietorship based in Macau which principally provides indoor and outdoor decoration services	7,778	9.7%	Painting and concrete repair works	2016
3	Subcontractor M	A private company based in Macau which principally supplies furniture	5,392	6.7%	Supply and installation of timber doors and frames	2015
4	Subcontractor K	A private company based in Macau which principally provides decoration, design, renovation and construction services	5,211	6.5%	Installation of glass partitions and doors, joinery, stainless steel, wall panelling, wall finishes, ceiling finishes and other works	2015
5	Subcontractor O	A sole-proprietorship based in Macau which principally provides engineering services	5,080	6.3%	Steel and metal works	2005
Total:			<u>37,589</u>	<u>46.8%</u>		

BUSINESS

For the five months ended 31 May 2018

Rank	Name of subcontractors	Background of subcontractors	Subcontracting charges (MOP '000)	Approximate % of total subcontracting charges incurred by our Group for the period	Services provided by our subcontractors	Business relationship with our customers commenced since
1	Subcontractor P	A private company based in Macau which principally provides mechanical, electrical and plumbing works and decoration services	5,859	17.1%	Fitting-out works and mechanical, electrical and plumbing works	2018
2	Subcontractor Q	A private company based in Macau which principally provides interior renovation services	4,098	12.0%	Steel works, and mechanical, electrical and plumbing works	2017
3	Subcontractor R	A private company based in Macau which principally provides construction and decoration services	3,425	10.0%	Demolition works	2009
4	Subcontractor S	A private company based in Macau which principally provides construction and decoration services	2,189	6.4%	Excavation lateral support and dewatering works	2008
5	Subcontractor N	A private company based in Macau which principally provides construction and decoration services	1,847	5.4%	Wet works and concrete works	2016
Total:			<u><u>17,418</u></u>	<u><u>50.9%</u></u>		

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None of the Directors, their associates or any Shareholders (which to the best knowledge of the Directors own more than 5% of the issued share capital of our Company immediately upon completion of the Global Offering) has any interest in our Group's five largest subcontractors during the Track Record Period.

Key terms of subcontracts

Some of the major terms of standard subcontracts agreed by us and our subcontractors are set out as follows:

Responsibilities of subcontractor	Subcontractor is required to perform its work in accordance with the specifications required by our customers, and provision of machinery and equipment, as specified in the subcontracting agreement.
Subcontracting charges	Subject to the work types, we may have lump sum fixed price contracts or remeasurement contracts. For a lump sum fixed price contract, the whole contract sum will be agreed upon at engagement and no remeasurement will be conducted, unless there are variation orders. For a remeasurement contract, the final contract sum will be determined based on agreed unit rates and measured quantities of work done.
Payment terms	<p>For interim payments, our subcontractors are required to provide us with a payment application and we assess and approve their application on a monthly basis.</p> <p>Generally, in respect of final payment, after the practical completion of the works under the subcontract of the project we will release the final payment to our subcontractor subject to the final account settlement.</p>
Retention money	Unless otherwise agreed, we usually hold up to 10% of each interim payment to our subcontractors as retention money. The first 50% retention money withheld is usually released to our subcontractors after practical completion of the works under the subcontract of the project and final account settlement and the remaining 50% retention money will be released after the expiry of the defect liability period.
Work safety	Our subcontractors are required to carry out the works in accordance with all relevant safety, health and environmental laws, rules and regulations.
Indemnity	Subcontractors are required to indemnify our Group against any loss, expense or claim arising from the failure to comply with all relevant laws, rules and regulations by our subcontractors.

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Credit policy

Our subcontractors generally submit payment request to us on a monthly basis according to the works executed under the subcontracts. Taking into account the complexity of the works, our quantity surveyor will assess and verify the executed works before settlement. We generally settle our subcontractors' invoices within seven days to 60 days either after (i) date of payment application by our subcontractors, or (ii) the receipt of the corresponding payments by us from our customers.

During the Track Record Period, our subcontractors were mainly located in Macau and we generally settle the subcontractor's fees by way of bank transfer or cheques, which were mainly denominated in MOP and HK\$.

Control on subcontractors

Generally, our project team meets our subcontractors and carries out inspection on their work done on a regular basis in order to ensure the works meet the specifications and quality requirements under the construction contracts. Our Group requires the subcontractors to follow our guidelines on occupational health and safety and environmental protection at the construction sites. The employees of the subcontractors are required to obtain a safety card issued by the Macau Government before they can enter into the construction sites and they are also required to attend course(s) including but not limited to work safety. For further information of our Group's internal procedures on work safety, please refer to the paragraph headed "Occupational health and safety matters" in this section.

Our Group's contracts with subcontractors, to certain extent, vary in accordance with the main contracts with our customers, but we consistently adopt the following principal terms in the contracts with our subcontractors in order to protect our interest:

- (a) restraining subcontractors from further assigning or subcontracting works without our permission;
- (b) maintaining retention money;
- (c) shifting the obligations to maintain works in good condition to our other subcontractors; and
- (d) prohibiting our subcontractors to employ illegal workers.

Our Directors confirm that during the Track Record Period, our Group had not received any material claims from our customers in relation to the quality of work done by our subcontractors.

MAJOR QUALIFICATIONS, LICENCES AND PERMITS

During the Track Record Period and up to the Latest Practicable Date, as advised by our Macau Legal Adviser, our Group has obtained all the material licences and permits necessary for our business operations, and such licences and permits are still valid and in force. Our Directors confirm that we have not experienced any difficulty in renewing any material licences or permits that are necessary for

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our business operations. Our Directors confirm that our Group will renew all existing qualifications, licences and permits accordingly before their respective expiry dates and they are not aware of any circumstances that would significantly hinder or delay the renewal of these qualifications, licences and permits.

The following table sets forth the major qualifications, licences and permits held by our Group in Macau as at the Latest Practicable Date:

Awarding authority/organisation	Holder	Description	Category	Validity period
DSSOPT	SFS Construction Macau	Registered contractor	Urban construction (construction works)	1 January 2018 - 31 December 2018 (<i>Note 1</i>)
Hong Kong Quality Assurance Agency (<i>Note 2</i>)	SFS Construction Macau	ISO 9001: 2008 (revised by ISO 9001: 2015)	Quality Management System (construction of buildings and filling-out works)	26 September 2014 - 14 September 2018
Hong Kong Certification Services International Limited (<i>Note 2</i>)	SFS Construction Macau	ISO 9001:2015 (replaced ISO 9001: 2008)	Quality management system (construction of buildings and fitting-out works)	13 November 2017 - 12 November 2020
Hong Kong Certification Services International Limited	SFS Construction Macau	ISO 14001:2015	Environmental management system (construction of buildings and fitting-out works)	18 December 2017 - 17 December 2020
Hong Kong Certification Services International Limited	SFS Construction Macau	OHSAS 18001:2007	Occupational health and safety management system (construction of buildings and fitting-out works)	18 December 2017 - 17 December 2020

Notes:

1. SFS Construction Macau was first registered as registered contractor in 2000 and maintained the registration of registered contractor with DSSOPT during the Track Record Period.
2. The ISO9001: 2008 has been replaced by the new ISO 9001: 2015 standard which was effective on 13 November 2017.

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RESEARCH AND DEVELOPMENT

During the Track Record Period and up to the Latest Practicable Date, we did not engage in any research and development activity nor incurred any research expenses.

SEASONALITY

Save for the low season during the Chinese New Year holiday during which many construction workers are on leave, our Directors believe that the seasonality factors do not have a material impact on the structural works and fitting-out works industry in which our Group operates.

EMPLOYEES

As at 31 May 2018, we had a total of 122 full-time employees who were directly employed by our Group in Macau. The following table sets out a breakdown of the number of our employees by functions:

	Number of Employees
Functions	
Management (executive Directors and senior management)	8
Administration, Finance, Operations	18
Project management team (including project managers, quantity surveyors, engineers (for structural works), design managers (for fitting-out works), site supervisors, foremen, project coordinators and safety officers, etc.)	22
Direct labour	<u>74</u>
Total:	<u><u>122</u></u>

Relationship with our employees

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

Recruitment and training policies

We generally recruit our employees through the open market by placing advertisements, personal referrals, and recruitment agencies with reference to factors such as their experience, qualifications and expertise required for our business operations. To promote overall efficiency, employee loyalty and retention, we provide various types of training to our employees.

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Our Group assesses the available human resources on a continuous basis and will determine whether additional personnel are required to cope with the business development of our Group. During the Track Record Period, the Labour Affairs Bureau of the Macau Government has granted our Company the quota for foreign labour. As advised by the Macau Legal Advisers, the quotas to import foreign labour have been approved by the relevant government department and are valid and in full effect under the applicable laws and regulations in Macau.

Remuneration policy

The remuneration package our Group offered to our employees includes salary and other employee benefits, such as bonus. Our Directors considered that our remuneration packages are competitive in the current construction market. In general, we determine the salaries of our employees based on their individual performance, qualifications, position and seniority. Our Group conducts annual salary and promotion review in order to attract and retain our employees.

ENVIRONMENTAL COMPLIANCE

Our Group's operations are subject to certain environmental laws and regulations in Macau, details of which are set out in the section headed "Regulatory Overview" in this prospectus. During the Track Record Period and up to the Latest Practicable Date, our Group was not in material non-compliance with the applicable environmental laws and regulations in Macau.

We have established in-house rules which set out the measures and work procedures governing environmental protection compliance that our workers are required to follow. Such measures and procedures include, amongst others:

Area	Measures
Noise control	<ul style="list-style-type: none">• All noisy construction activities shall only be carried out within the working hours in accordance with the statutory requirements or permits granted by the relevant authorities.• Installation of acoustic barriers as necessary• Noisy construction activities shall be well arranged to minimise the noise impacts on the surrounding environment• Machines and plants used intermittently shall be shut down when they are not in use
Air pollution control	<ul style="list-style-type: none">• Use dust screens and covers as necessary to lower the level of dust• Use water to suppress any dust particles at our construction sites

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|----------------------|---|
| Solid waste disposal | <ul style="list-style-type: none">• Avoid and minimise the generation of construction waste by implementing sound system of quality control, quantitative surveying and site management• Solid waste to be segregated into general wastes and construction wastes before transporting to landfills |
| Waste water disposal | <ul style="list-style-type: none">• Discharge our construction waste water in accordance with applicable laws and regulations• Maintain our sediment basins and water pipelines regularly to ensure there is no blockage• Place sediment basins to remove sand from the wastewater before discharge |

During the Track Record Period and up to the Latest Practicable Date, our Group incurred immaterial amount in relation to compliance with applicable environmental rules and regulations as our main contractors bear most of the costs for compliance with environmental rules and regulations.

OCCUPATIONAL HEALTH AND SAFETY MATTERS

Occupational health and safety measures

Our Group emphasises the importance of safety and healthy working environment and has established procedures to provide our construction workers and workers employed by our subcontractors with a safe working environment at each of our construction site by specifying various safety measures. In 2017, we obtained OHSAS 18001:2007 certification of occupational health and safety management system (construction of buildings and fitting-out works).

All our workers and subcontractors' workers are required to wear safety helmets when entering into work site, and other appropriate safety equipment depending on the types of works to be performed. We arrange all of our employees to attend an induction training which will include general site safety before they perform works on site. In addition, we provide safety training of workplace safety and occupational health so as to raise our standard and to update our staff's knowledge.

Our safety officer, who is responsible for implementing site safety measures and procedures, conducts on-site inspection regularly to ensure we have complied with the regulations, reports any irregularities to relevant parties.

The project manager, safety officers and project coordinators for each project are responsible for site safety matters, and the safety meeting is held on a monthly basis: (i) to discuss various operations at the site, highlight the hazards associated with them and the necessary safety precautions to ensure safe operations; (ii) to discuss accident cases so as to identify unsafe practices and conditions; and (iii) to discuss the implementation of health and safety procedures.

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Internal procedures to handle employees' injuries and accidents at the construction site

Our staff is relatively vulnerable to work-related accidents and injuries as they are exposed to potentially hazardous working environment such as working at height or confined spaces at the construction site. We have established a health and safety plan in place to record and handle work-related accidents and injuries of our staff during the Track Record Period and up to the Latest Practicable Date. The recording and handling of work-related accidents and injuries of the staff are handled by our safety officer and human resource manager. Our human resource manager is also responsible for liaising with the relevant insurance company and the claimant. Our Group's major procedures of reporting, recording and handling accidents and injuries of our employees are as follows:

1. in the event of any work-related accidents and injuries of the construction workers, the on-site supervisor and the safety officers should be informed of the details of injury including but not limited to venue, time, cause of injury, etc.;
2. the safety officer will then proceed with the investigation procedure and prepare an incident report as well as improvement safety measures to the management;
3. an incident report will be filed to the relevant government department in accordance with relevant laws and regulations; and
4. the safety officer will keep monitoring the implementation of such improvement measures.

During the Track Record Period and up to the Latest Practicable Date, our Group recorded one fatal accident involved a worker employed by our subcontractor and 16 accidents at the construction sites, details of which are set out in the paragraphs below. Our Directors confirmed that there is sufficient insurance coverage for all of the accidents recorded during the Track Record Period and up to the Latest Practicable Date.

Accidents during the Track Record Period

During the Track Record Period and up to the Latest Practicable Date, apart from the fatal accident which details are set out in paragraph headed "Fatal accident during the Track Record Period" below, we recorded accidents involving (i) seven construction workers who were employed by our Group; and (ii) nine construction workers who were employed by our subcontractors, respectively. Our Directors confirmed that there is sufficient insurance coverage for all of the unsettled accidents recorded during the Track Record Period and up to the Latest Practicable Date. The following tables set out the nature of the accidents recorded during the Track Record Period and up to the Latest Practicable Date:

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(i) *Accidents involving our employees*

Date of accident	Details of the accident and nature of injuries	Approximate settlement amount	Status as at the Latest Practicable Date
22 October 2014	A worker sustained finger injury when transporting universal beam in a construction site in Cotai, Macau	MOP105,537	Settled
19 June 2015	A worker alleged that his hand was injured when installing the net at a construction site in Taipa, Macau	MOP520	Settled
15 April 2016	A piece of glass fell down causing fracture of the worker's calf at a construction site in Cotai, Macau	MOP314,952	Settled
26 April 2017	A worker alleged that his hand was injured when he was cutting the brick at a construction site in Cotai, Macau	MOP41,036	Settled
7 May 2017	A worker's hand was injured at the construction site in Cotai, Macau	MOP14,400	Settled
1 July 2017	A worker sustained finger injury when cutting woods at the construction site in Cotai, Macau	MOP19,705	Settled
9 August 2017	A worker alleged that his finger was injured by falling sand blocks when moving materials at a construction site in Cotai, Macau	MOP17,719	Settled

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(ii) *Accidents involving the employees of our subcontractors*

Date of accident	Details of the accident and nature of injuries	Approximate settlement amount	Status as at the Latest Practicable Date
15 May 2014	A worker alleged that his right leg was injured by a falling steel at the construction site in Cotai, Macau	MOP559,518	Settled
30 June 2014	A worker alleged that he accidentally fell down from a ladder and caused fracture of his right ankle at a construction site in Cotai, Macau	MOP296,128	Settled
11 February 2015	A worker alleged that he accidentally injured his thumb while he was doing steelwork at a construction site in Taipa, Macau	MOP86,618	Settled
11 February 2015	A worker alleged that he accidentally injured his fingers while he was doing steelwork at a construction site in Taipa, Macau	MOP67,457	Settled
30 July 2015	A worker alleged his left leg was injured by a falling object when he was moving the materials at the construction site in Cotai, Macau	MOP365,169	Settled
23 May 2016	A worker alleged that he accidentally fell down and injured his left hand at a construction site in Cotai, Macau	MOP6,256	Settled
14 June 2016	A worker alleged that he fell down from the work platform and caused the fracture of his leg at a construction site in Cotai, Macau	MOP143,555	Settled
3 March 2017	A worker alleged that his finger was injured by the bricks when he was moving the materials at a construction site in Cotai, Macau	MOP17,641	Settled
2 July 2017	A worker alleged that he fell down and hurt his head when he was doing the bricklayers works at a construction site in Cotai, Macau	MOP7,871	Settled

Fatal accident during the Track Record Period

During the Track Record Period, there was one fatal accident on the construction site where our Group was a fitting-out contractor.

On 20 April 2014, a fatal accident happened in the construction site of fitting-out works where a worker (the “**Deceased**”) was employed by our subcontractor (“**Direct Subcontractor**”) to carry out block wall demolition works. The block wall suddenly collapsed and crashed onto the Deceased who as a result sustained a fatal injury while he was demolishing an L-shape concrete blockwall (the “**Accident**”). SFS Construction Macau was the fitting-out contractor of the work involved in the Accident.

Based on the incident investigation report, the Direct Subcontractor leader had instructed the Deceased to tear down the blockwall by top-down hacking method and had supervised the Deceased and a co-worker to perform hacking operation in the morning. However, the Deceased worked alone when the subcontractor leader and co-worker left from the scene to relocate the material during the time of the Accident. It was believed that the Accident was caused by the failure of Deceased to follow the instruction from Direct Subcontractor leader to perform the hacking operation, and inadequate safety awareness of the Deceased when hacking the blockwall.

The legal proceedings were initiated in the Labour Court of Macau’s Judicial Base Court against the Direct Subcontractor, and SFS Construction Macau was one of the parties to the legal proceedings which were settled on 16 June 2015. Pursuant to the settlement memorandum, SFS Construction Macau had paid MOP7,278 as medical cost, while the Direct Subcontractor was required to pay MOP1,000,000 as compensation to the Deceased’s family members. Both medical cost and compensation were covered by insurance. Our Directors confirm that the Accident and the compensation made by SFS Construction Macau had no material impact on our business and financial position and prospects.

The Accident did not result in any criminal charge or conviction against SFS Construction Macau and its directors.

After the Accident, our Group has enhanced our health and safety plan as follows:

- (i) to ensure the workers complying with the approved and proper works procedures, in particular, a method statement of demolition work must be prepared which could enable the workers to tear down the blockwall in a safe and proper procedure;
- (ii) to provide safe working platform to blockwall demolition works;
- (iii) to provide specific safety training to the workers to enhance their safety awareness;
- (iv) when the subcontractors inform us that they will carry out works in the construction site, our project management staff will enquire the scope of works and consider the safety risks;

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- (v) if the works of our subcontractors involve working at height or considerable safety risks, our project management staff will require the subcontractors to use necessary protective equipment such as safety belt, safety helmet and goggles, working platform; and
- (vi) our project management staff or safety officer will carry out random safety inspection to spot check any workplace safety weakness and breach of our safety policy.

After the implementation of above enhanced health and safety plan and according to the result of the review of work safety management performed by our internal control consultant, BDO Financial Services Limited, for the period from 1 January 2017 to 30 June 2017, nothing has come to our attention that causes to believe that our Group did not maintain, in all material respects, effective internal controls related to work safety management as at 30 June 2017.

Analysis on accident rate

Below table sets out a comparison of the industrial accident rate per 1,000 workers and the industrial fatality rate per 1,000 workers in the construction industry in Macau between our Group and the industry average for each of the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018:

	Industry average in Macau^(Note 1)	Our Group^(Note 2)
For the year ended 31 December 2014		
Accident rate per 1,000 workers	23.3	5.09
Fatality rate per 1,000 workers	0.15	1.70
For the year ended 31 December 2015		
Accident rate per 1,000 workers	25.5	8.92
Fatality rate per 1,000 workers	0.20	Nil
For the year ended 31 December 2016		
Accident rate per 1,000 workers	23.6	7.12
Fatality rate per 1,000 workers	0.20	Nil
For the year ended 31 December 2017		
Accident rate per 1,000 workers	23.1	22.91
Fatality rate per 1,000 workers	0.18	Nil
For the five months ended 31 May 2018		
Accident rate per 1,000 workers	N/A ^(Note 3)	Nil
Fatality rate per 1,000 workers	N/A ^(Note 3)	Nil

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Notes:

1. The statistics are sourced from the Labour Affairs Bureau of the Macau Government.
2. Our Group's accident rate is calculated as the number of industrial accidents during the year divided by the daily average of the construction site workers (consisted of our employees and the employees of our subcontractors) in our Group's construction sites during the year.
3. The relevant data has not been published as at the Latest Practicable Date.

Our accident rate increased from 7.12 for the year ended 31 December 2016 to 22.91 for the year ended 31 December 2017 and was slightly lower than the construction industry average in Macau for the same year. Our Directors considers that the accidents occurred in 2017 concerned with injuries were relatively minor in nature and our Group has no accidents recorded till 31 May 2018. In 2017, we have obtained OHSAS 18001:2007 certification of occupational health and safety management system (construction of buildings and fitting-out works). Annual safety audit was performed to ensure that our occupational health and safety management system complies with OHSAS18001:2007 requirements. Therefore, our Directors consider that we are committed to improving our health and safety system, and the increase in accident rate in 2017 does not affect the adequacy and effectiveness of our safety control measures in place. Please refer to the paragraph headed "Occupational health and safety matters" in this section for the details of the accidents during the Track Record Period and our occupational health and safety measures.

Below table sets forth our lost time injuries frequency rate ("LTIFR") during the Track Record Period:

	LTIFR (Note)
For the year ended 31 December 2014	0.21
For the year ended 31 December 2015	0.37
For the year ended 31 December 2016	0.30
For the year ended 31 December 2017	0.96
For the five months ended 31 May 2018	Nil

Note: LTIFR is a frequency rate that shows how many lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated by multiplying the number of lost time injuries of our Group that occurred during the relevant year by 1,000,000 divided by the number of hours worked by site workers over the same year. It is assumed that the working hour of each worker is 8 hours per day.

INSURANCE

Our employees are insured under the employee's compensation insurance and we generally maintain office insurance.

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For our construction projects, either we or our customers maintain employee's compensation, third party liabilities and/or contractors' "all risks" insurance on a project-by-project basis and subject to the terms of construction contracts. The coverage of such insurance policies includes all works performed by us and our subcontractors. Although our Directors consider that the existing insurance coverage are adequate for protecting our Group from most of the common liabilities associated with our business, our Group's insurance coverage may not be sufficient to indemnify all the risks that we are exposed to. Please refer to the section headed "Risk Factors — Risk relating to our Group's business — Our Group's insurance coverage may not be sufficient to cover all losses or potential claims which could affect our Group's business and results of operations" in this prospectus for details of such associated risk. In the event that our customers require specific insurance, we will also maintain additional insurance for such particular projects. Our Directors believe that our current insurance policies are adequate and consistent with industry norm having regard to our current operations and the prevailing industry practice.

For the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, the insurance expenses incurred were approximately MOP0.3 million, MOP0.2 million, MOP0.2 million, MOP0.1 million and MOP41,300, respectively. During the Track Record Period and up to the Latest Practicable Date, we had not made, and had not been the subject of, any material insurance claim.

COMPETITION

According to the Frost & Sullivan Report, the fitting-out industry in Macau is quite competitive, with the presence of Hong Kong-based players holding considerable market shares. In the meantime, the Macau-based companies continue to focus on further strengthening positioning as comprehensive fitting-out works service providers and enlarging market shares. The top five fitting-out works market players represented around 28.3% of the total revenue of the overall fitting-out industry in Macau in 2017, while our Group had a market share 2.1% in the overall fitting-out industry and ranked the fourth by revenue of MOP160.4 million in the commercial fitting-out works market in terms of revenue with a market share of approximately 3.7% in 2017. According to the Frost & Sullivan Report, the superstructure works market in Macau is concentrated with an aggregated market share of approximately 28.4% by the top three market players, which are international construction companies, representing a market value of approximately MOP8.4 billion in 2017. While the top three Macau-based superstructure works contractors accounted for an aggregated market share of approximately 7.6% in Macau superstructure works market in 2017 in terms of revenue. Our Group had an estimated market share of approximately 0.1% in the superstructure works market in Macau in 2017 in terms of revenue.

For further details of the competitive landscape of the superstructure works and fitting-out works industry in which our Group operations, please refer to the sections headed "Industry Overview — Competitive landscape of superstructure works market in Macau" and "Industry Overview — Competitive landscape of fitting-out market in Macau" in this prospectus.

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INTELLECTUAL PROPERTY RIGHTS

Trademarks

We have been conducting our construction business in Macau using “SAN FONG SENG GROUP” and “新方盛集團” as our brand name. Our Group did not register any trademark but we rely on the trademark licenses granted by companies owned by our Controlling Shareholders and entered into trademark licence agreements as follows:

- (1) a licence agreement dated 1 January 2017 and an addendum dated 15 September 2017 entered into between SFS Construction Macau Red Development, pursuant to which Red Development granted an exclusive licence to us to use the registered trademarks “SAN FONG SENG GROUP” and “新方盛集團” specifically for construction business in Macau; and
- (2) a licence agreement dated 1 January 2017 and an addendum dated 15 September 2017 entered into between SFS Construction Macau San Fong Seng Group Limited, pursuant to which San Fong Seng Group Limited granted an exclusive licence to us to use the registered trademarks “SAN FONG SENG GROUP” and “新方盛集團” specifically for construction business in Hong Kong.

For further details of the licence agreements, please refer to the section headed “Connected Transactions — Fully exempt continuing connected transactions” in this prospectus.

Domain name

As at the Latest Practicable Date, our Group had registered two domain names that are material to our business, being www.abbuildersgroup.com and www.sanfongseng.com. Please refer to the section headed “Statutory and General Information — B. Further information about the business of our Group — 2. Intellectual property rights” in Appendix V to this prospectus for further details.

As at the Latest Practicable Date, we are not aware of any infringement (i) by our Group of any intellectual property rights owned by any third parties; or (ii) by any third party of any intellectual property rights owned by us, and our Group had not involved in, and was not aware of, any pending or threatened claims against in relation to the infringement of any intellectual property rights of third parties.

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PROPERTIES

Owned Property

On 28 December 2016, SFS Construction Macau entered into a sale and purchase agreement with Ms. Vicki Lao, Ms. Athena Lao and Ms. Lao Choi Ian (the youngest sister of Ms. Vicki Lao and Ms. Athena Lao and the daughter of Mr. Lao and Mrs. Lao), pursuant to which SFS Construction Macau acquired six units of an office premises from Ms. Vicki Lao, Ms. Athena Lao and Ms. Lao Choi Ian at a consideration of MOP44,870,000. The consideration was determined with reference to the market value of similar commercial properties at the vicinity. Completion of purchase of the said office premises took place on 28 December 2016. Our Directors confirmed that the acquisition of the office premises were conducted on normal commercial terms, and are fair and reasonable and in the interest of our Group and the Shareholders as a whole. As at the Latest Practicable Date, our Group owned one property for its operations and details of which are set out below:

Location	Use of property	Owner	Approximate total saleable area
Unit 10A, 10B, 10C, 10D, 10E and 10F, 10th Floor, Edf. Comercial I Tak, No. 126 Rua de Pequim (北京街), Macau	the property is used as an office by our Group	SFS Construction Macau	4,206 sq. ft.

From the completion of the purchase of the office premises and up to the Latest Practicable Date, our Directors confirm that our Group has a good and marketable title to the property. As advised by our Macau Legal Advisers, the above property possesses a good and marketable title under the laws of Macau as at the Latest Practicable Date.

Pursuant to Rule 5.01A and 5.01B of the Listing Rules, if the carrying amount (as defined in Rule 5.01(1) of the Listing Rules) of a property interest (as defined in Rule 5.01(3) of the Listing Rules) is or is above 15% of its total assets (as defined in Rule 5.01(4) of the Listing Rules), the prospectus must include the full text of a valuation report for such property interest. As the carrying amount of our above owned property exceeds 15% of our total assets as at 31 May 2018, being the date of which the most recent audited consolidated statements of the financial position of our Group, in order to comply with Rule 5.01B(2)(a) of the Listing Rules, a property valuation report in respect of our above owned property is included in Appendix III to this prospectus.

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Leased Property

As at the Latest Practicable Date, SFS Construction Macau leased one property in Macau, details of which are set out below:

Location	Lesser	Term	Monthly rent	Use of property	Approximate total gross floor area
Plot 6 of land granted by association of reclaimed land “E2” area “C” lot (新填海土地“E2”區“C”地段 商會批地6號地)	An Independent Third Party	21 November 2017 to 20 November 2018	MOP13,994.5	Warehouse	2,789.9 sq. ft.

HEDGING ACTIVITY

During the Track Record Period and up to the Latest Practicable Date, our Group did not engage in any hedging activity.

RISK MANAGEMENT

Our Audit Committee, and ultimately our Board supervise the implementation of our risk management manual. Certain risks relating to our operation, details of which are set out in the section headed “Risk Factors — Risks relating to our Group’s business” in this prospectus, have been identified by our management. Risk management policies codifying the risk assessment process, risk impact scale and risk management process have accordingly been adopted by us to identify, evaluate and manage risks arising from our operations.

INTERNAL CONTROL

In preparation of the Listing, we have engaged an independent internal control consultant, BDO Financial Services Limited (the “**Internal Control Consultant**”) which has conducted a pre-listing internal control review of our Group in November 2016 and to identify findings and provide relevant recommendations to us. The Internal Control Consultant conducted a follow-up review in August 2017 to review whether we have implemented the internal control measures recommended by the Internal Control Consultant and whether the deficiencies identified in the previous review have been rectified. Based on the result of such follow-up review, we demonstrated that we have implemented all major internal control measures and that no material deficiencies were identified.

BUSINESS

The Internal Control Consultant has identified the following key findings and we have taken the following remedial actions based on the Internal Control Consultant's recommendations:

Key findings	Remedial actions taken
- Our Group had no formal procedures and guidelines for reporting any potential conflict of interests, and any connected or related party transactions	Our Group has adopted and implemented the formal internal control procedures and guidelines for identifying and reporting any potential conflict of interests and any connected or related party transactions starting from April 2017
- Our Group did not have the annual financial budget and variation analysis	Account department will prepare the annual/quarterly financial budget, and conduct analysis on a regular basis for the management's approval starting from January 2017

In addition, in order to continuously improve our corporate governance and to enhance the internal control policies on workplace safety, tax filings and legal compliance measures, we intend to adopt or have adopted the following measures:

- (i) our internal control measures, policies and procedures which were adopted and implemented by us, have been updated and revised;
- (ii) our Group has implemented safety measures to enhance workplace safety and to evaluate the situation of the site in respect of accident prevention. For further details, please refer to the paragraph headed "Occupational health and safety matters — Occupational health and safety measures" in this section;
- (iii) our operating subsidiary, SFS Construction Macau, has filed the revised Macau Complementary Income Tax Returns for the years ended 31 December 2012, 2013, 2014 and 2015 on a voluntary basis to the Financial Services Bureau of Macau in order to reconcile the financial statements for tax reporting of the relevant financial years in accordance with IFRS. Our Group has engaged the Reporting Accountant to prepare the financial statements of SFS Construction Macau in accordance with IFRS and the New Tax Representative to prepare the tax returns in accordance with the applicable laws and regulations. For further details, please refer to the section headed "Financial Information — Tax re-filing" in this prospectus;
- (iv) each of our Directors and senior management has attended training sessions on applicable laws and regulations, including the Listing Rules, provided by our legal advisers as to Hong Kong law. We will continue to arrange various trainings to be provided by the legal advisers engaged by us from time to time and/or any appropriate accredited institution to update our Directors, senior management and relevant employees on the relevant laws and regulations;

BUSINESS

- (v) we have established an audit committee, which have established formal arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations;
- (vi) we have established and implemented (a) payment and collection management policy and; (b) prevent of corruption and bribery training programmes and whistleblower programmes to ensure that we will be brought to the attention of any mal-practice or irregularities as part of our business operations. Our Internal Control Consultant is of the view that our internal control measures in relation to (a) payment and collection of project fee process; and (b) anti-corruption and anti-bribery are adequate and effective; and
- (vii) we have appointed Southwest HK Capital as our compliance adviser upon the Listing to provide advice to our Directors and management team in respect of matters relating to the Listing Rules.

NON-COMPLIANCE

Our Directors confirm that, save as the tax re-filing as disclosed in “Financial Information” section, our Group has complied with all material applicable laws and regulations in Macau and Hong Kong during the Track Record Period and up to the Latest Practicable Date.

LITIGATION, ARBITRATION AND POTENTIAL CLAIMS

During the Track Record Period and as at the Latest Practicable Date, save as disclosed in paragraph headed “Occupational health and safety matters — Accidents during the Track Record Period”, our Group had been in a number of claims and litigations involving our Group. Further to the details disclosed in the paragraph headed “Occupational health and safety matters — Accidents during the Track Record Period” above, the details of the claims litigation arising from (a) employees, and (b) a subcontractor against our Group which had been settled or withdrawn during the Track Record Period and up to the Latest Practicable Date as set out below. Our Directors are of the view that none of such proceedings had a material adverse effect on our business, results of operations or financial condition or on our Shares or the Listing.

(a) *Claims from employees*

Date of claim	Particulars of the claim	Approximate amount settled	Date of settlement
23 July 2015	A dispute over the payment of salary to a previous employee of SFS Construction Macau	MOP27,783	6 November 2015

BUSINESS

(b) *Claim from our subcontractor*

Date of demand letter	Particulars of the claim	Date of withdrawal
16 October 2015	A subcontractor allegedly claimed for outstanding subcontractor fees	The claim was discontinued by the subcontractor on 2 December 2015

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, no member of our Group was involved in litigation, arbitration or claim of material importance against third parties, nor were our Group aware of any litigation, arbitration or claim which was pending or threatened by third parties against any member of our Group that would have a material adverse effect on our business, results of operations or financial conditions.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued upon exercise of the Over-allotment Option), our Company will be owned as to approximately 52.5% by Laos International and 22.5% by WHM Holdings. Each of Laos International and WHM Holdings is wholly owned by Mr. Lao and Mrs. Lao, respectively, and Mr. Lao is the spouse of Mrs. Lao. As such, Laos International, WHM Holdings, Mr. Lao and Mrs. Lao are a group of controlling shareholders pursuant to the Listing Rules. Please refer to the section headed “History and Corporate Structure — Reorganisation” in this prospectus for details of our Company’s shareholding structure among our Controlling Shareholders.

BUSINESSES OWNED BY OUR CONTROLLING SHAREHOLDERS BUT NOT INCLUDED IN OUR GROUP

As at the Latest Practicable Date, our Controlling Shareholders had interests in certain businesses (“**Other Businesses**”) that did not form part of our Group. The principal businesses of the Other Businesses include (i) property development and investment in Macau and the PRC; and (ii) construction business in the PRC. The details of Other Businesses are set out below:

Red Development

Red Development was incorporated in Macau as a limited liability company on 20 January 2011. As at the Latest Practicable Date, Red Development was owned as to 2% by Ms. Vicki Lao and 98% by SFS Real Estate Holdings Limited, which was in turn owned as to 70% by Laos International and 30% by WHM Holdings. As at the Latest Practicable Date, Red Development was an investment holding company and the subsidiaries of which carried out (i) property development and investment business in Macau and the PRC and (ii) construction business in the PRC. In view of (a) the different nature of core business between the property development and investment business and our Group’s construction business; (b) the different geographic focus of the construction business; and (c) the different target customers of the subsidiaries of Red Development and our Group, our Directors consider that there is a clear delineation between our business and Other Businesses carried out by Red Development, and therefore we do not intend to include Red Development and its subsidiaries in our Group.

Fu Tat Lei

Fu Tat Lei was incorporated in Macau as a limited liability company on 15 July 2005. As at the Latest Practicable Date, Fu Tat Lei was owned as to 50% by Red Development and 50% by three Independent Third Parties. Fu Tat Lei carried out property development business in Macau.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Jiangmen Jinying

Jiangmen Jinying was established in the PRC on 11 April 2011 as a joint venture company owned as to 60% by SFS Construction Macau and 40% by an Independent Third Party. Although SFS Construction Macau owned 60% equity interest in Jiangmen Jinying, in accordance with the joint venture agreement and the articles of Jiangmen Jinying, all the decisions of the board could only be made with unanimous consent of both SFS Construction Macau and its joint venture partner. Having considered that the day-to-day operation of Jiangmen Jinying was mainly managed by the joint venture partner and our Group had no absolute control over the jointly-owned entity, we therefore decided to dispose Jiangmen Jinying. As part of the Reorganisation, SFS Construction Macau entered into an equity transfer agreement with New Kingdom on 22 November 2016, pursuant to which SFS Construction Macau disposed its entire interest in Jiangmen Jinying to New Kingdom. As of result of the said transfer, Jiangmen Jinying was owned as to 60% by New Kingdom and 40% by an Independent Third Party.

Jiangmen Jinying carries out construction business in the PRC, which is a location different from our Group's existing focus. Further, the target customers of our Group and Jiangmen Jinying are different. As such, our Directors consider that there will be no competition between the business of our Group and the business of Jiangmen Jinying and do not intend to include Jiangmen Jinying in our Group.

New Kingdom

New Kingdom was incorporated in Macau as a limited liability company on 4 March 2011. As at the Latest Practicable Date, New Kingdom was wholly owned by Red Development.

New Kingdom was an investment holding company and had not commenced any business operation since its incorporation up to the Latest Practicable Date. Given New Kingdom only acts as the investment holding company of Jiangmen Jinying and did not and does not intend to carry out any business operation in Macau and HK, our Directors do not intend to include New Kingdom in our Group.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Our Directors consider that our Group is capable of carrying on the business independent of, and without undue reliance on, the Controlling Shareholders and their respective close associates after the Listing based on the following reasons:

Management Independence

The main function of the Board includes the approval of the overall business plans and strategies, monitoring the implementation of these policies and strategies and the management of our Group. The Board consists of eight Directors, comprising five executive Directors and three independent non-executive Directors. For more information relating to the biography of our Directors, please refer to the section headed "Directors, Senior Management and Employees — Directors and senior management" in this prospectus. Mr. Lao is the director of Red Development, Jiangmen Jinying and

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

New Kingdom. Ms. Vicki Lao is the chairman and legal representative of Jiangmen Jinying and the director of Red Development and New Kingdom. The Board and senior management can adequately manage potential conflicts of interests between our Company and our Controlling Shareholders because:

- (a) each of our Directors is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and the Shareholders as a whole, and does not allow any conflict between his or her duties as a director and his or her personal interest to exist;
- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant Board meeting in respect of such transaction and shall not be counted in the quorum; and
- (c) the senior management members are independent from the Controlling Shareholders. They have substantial experience in the industry our Group is engaged in and have served our Group for a significant length of time during which period they have demonstrated their capability of discharging their duties independently from the Controlling Shareholders.

Financial Independence

Our Company has an independent financial system and makes financial decisions according to our Group's own business needs. During the Track Record Period, our Group had certain amounts due to/from Mr. Lao, being our executive Director and our Controlling Shareholder. Please refer to the section headed "Financial Information — Net current assets" in this prospectus and Note 18 of the Accountants' Report set out in Appendix I to this prospectus for further details. All amounts due to/from our Controlling Shareholders were fully settled as at the Latest Practicable Date. During the Track Record Period, certain bank borrowings and overdraft were secured/guaranteed by personal guarantees of our Controlling Shareholders and properties held by one of our Controlling Shareholders. Please refer to the section headed "Financial Information — Indebtedness and contingent liabilities" of this prospectus and Note 23 of the Accountants' Report set out in Appendix I to this prospectus for further details. Our Directors further confirm that any guarantee provided by our Controlling Shareholders as securities/guarantee for the bank borrowings and overdraft will be released on or upon the Listing. Our Group has sufficient capital to operate the business independently, and have adequate internal financial resources and a strong credit profile to support the daily operations. During the Track Record Period, our Group had relied principally on cash generated from operations to carry on our businesses and this is expected to continue immediately after the Global Offering.

Save as disclosed above, our Directors confirmed that there were not any guarantees, loans or pledges provided by the Controlling Shareholders in favour of our Group during the Track Record Period and up to the Latest Practicable Date.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Operational Independence

Our Group has established our own organisational structure made of individual functional departments, each with specific areas of duties and responsibilities. Our Group did not share the operational resources, such as contractors, customers, marketing, sales and general administration resources with our Controlling Shareholders and/or their close associates during the Track Record Period. Our Group has also established a set of internal control system to facilitate the effective operation of our business.

In 2011 and 2012, SFS Construction Macau entered the transactions with Fu Tat Lei which were related to the residential construction project located at Taipa, Macau, and acted as a main contractor for structural works and fitting-out works. In 2011, Fu Tat Lei commenced tender process for developing its own land located at Taipa, Macau, and invited SFS Construction Macau to submit the tender for the structural works. In preparing the tender and determining our price of the projects, we had obtained the quotations from the subcontractors and construction materials suppliers, and estimated expenses of construction materials. We also took into account various factors, such as the project size/scale and previous tender records with other Independent Third Parties. In October 2011, SFS Construction Macau was successful in the tender and entered into the construction contract with Fu Tat Lei for structural works with its competitive tender price, reputation and track record. In 2012, Fu Tat Lei commenced tender process for fitting out works and invited us to submit the tender. SFS Construction Macau was successful in the tender for the fitting-out works in September 2012 with its competitive tender price, reputation and track record. Please refer to the paragraphs headed “Business — Our projects — (1) Completed projects” and “Financial information — Related parties transactions — 1. Revenue received from Fu Tat Lei” for details of the transactions with Fu Tat Lei. Fu Tat Lei was our third largest and fifth largest customer for the years ended 31 December 2015 and 2016. For the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, the total revenue recognised under the transactions with Fu Tat Lei was nil, approximately MOP49.9 million, MOP7.9 million, nil and nil, representing nil, approximately 12.5%, 2.1%, nil and nil of our total revenue, respectively. Our Directors confirmed that the transactions with Fu Tat Lei were conducted in an ordinary and usual course of business and on normal commercial term between Fu Tat Lei and us or on terms no less favourable than terms available to the Independent Third Parties, and were fair and reasonable and in the interest of our Group and our Shareholders as a whole. Our Directors further confirmed that our Group currently has no intentions to enter any transaction with Fu Tat Lei going forward. In the event that our Company will enter into any transaction with Fu Tat Lei in the future, our Company will comply with the relevant requirement under the Listing Rules.

In addition, our Group had entered into two separate trademark licence agreements with companies ultimately owned by our Controlling Shareholders for the use of trademarks in Hong Kong and Macau. Please refer to the section headed “Connected Transactions” for further details of the trademark licence agreements.

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

Save as disclosed above, our Group's major customers, suppliers and subcontractors are all independent from the Controlling Shareholders. Our Group does not rely on the Controlling Shareholders or their close associates and has independent access to our major customers, suppliers and subcontractors. Accordingly, our Directors are of the view that our Group is able to operate independently from the Controlling Shareholders after the Listing. Our Directors further confirmed that, save as disclosed above relating to Fu Tat Lei, none of the Controlling Shareholders, our Directors and their respective close associates, had any relationship with the major customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period and up to the Latest Practicable Date.

NON-COMPETITION UNDERTAKING

The Controlling Shareholders as covenantors (each a "**Covenantor**", collectively, the "**Covenantors**") have executed the Deed of Non-Competition in favour of our Company (for itself and as trustee for each of its subsidiaries from time to time) in order to avoid potential conflicts of interests between our Controlling Shareholders and our Company.

Pursuant to the Deed of Non-Competition, each Covenantor has undertaken that, from the Listing Date and ending on the occurrence of the earliest of (i) the date on which the Shares cease to be listed on the Main Board; (ii) the date on which the Covenantors cease to be a Controlling Shareholder; or (iii) the date on which the Covenantors beneficially own or become interested jointly or severally in the entire issued share capital of our Company:

1. Non-competition

Each of the Covenantors, and will use his/her/its best endeavours to procure any Covenantor, his/her/its close associates (collectively, the "**Controlled Persons**") and any company directly or indirectly controlled by the Covenantor (the "**Controlled Company**") not to, either on his/her/its own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any business which, directly or indirectly, competes or is likely to compete with the business of our Group in Macau and Hong Kong, including but not limited to the provision of construction works in Macau and Hong Kong (the "**Restricted Business**").

The Deed of Non-Competition does not apply if the Controlled Persons and Controlled Company in aggregate own any interest not exceeding 5% of the issued shares in any company conducting any Restricted Business (the "**Relevant Company**"), and the Relevant Company is listed in any recognised stock exchange (as defined under the SFO), notwithstanding that the business conducted by the Relevant Company constitutes or might constitute competition with the business of our Group, provided that:

- (a) the shareholding of any one holder (and his/her/its close associate, if applicable) in the Relevant Company is more than that of the Controlled Persons and the Controlled Company in aggregate at any time;

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (b) the total number of the relevant Covenantors' representatives on the board of directors of the Relevant Company is not significantly disproportionate with respect to his/her/its shareholding in the Relevant Company; and
- (c) the Covenantors and/or their respective close associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of the Relevant Company or otherwise participate in or be involved in the management of the Relevant Company.

2. New business opportunity

If any Covenantor and/or any Controlled Company is offered or becomes aware of any business opportunity which directly or indirectly engages in or owns a Restricted Business (the “**New Business Opportunity**”):

- (a) he/she/it shall within ten days notify our Company of such New Business Opportunity in writing and refer the same to our Company for consideration, and shall provide the relevant information to our Company in order to enable us to make an informed assessment of such opportunity; and
- (b) he/she/it shall not, and shall procure that his/its Controlled Person(s) or Controlled Company(ies) not to, invest or participate in any project or New Business Opportunity, unless such project or New Business Opportunity shall have been rejected by our Company and the principal terms of which the Covenantor or his/its Controlled Person(s) or Controlled Company(ies) invest or participate in are no more favourable than those made available to our Company.

A Covenantor may only engage in the New Business Opportunity if (a) a notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted and/or does not constitute competition with the Restricted Business (the “**Non-acceptance Notice**”); or (b) the Non-acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity is received by our Company.

Any Director who has an actual or potential material interest in the New Business Opportunity shall abstain from attending (unless his attendance is specifically requested by the remaining non-interested Directors) and voting at, and shall not be counted towards the quorum for, any meeting or part of a meeting convened to consider such New Business Opportunity.

Our Board (including our independent non-executive Directors) will be responsible for reviewing and considering whether or not to take up a New Business Opportunity referred by a Covenantor or Controlled Company or whether or not the New Business Opportunity constitutes competition with the Restricted Business. The factors that will be taken into consideration by our Board in making the decision include whether it is in line with the overall interests of our Shareholders

RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

CORPORATE GOVERNANCE MEASURES

We will implement the following measures to manage the conflict of interests arising from competing business and to safeguard the interest of our Shareholders:

- (a) the Covenantors will promptly provide to us such information as we may from time to time reasonably request to ascertain the compliance of by the Covenantor of its obligations under the Deed of Non-Competition;
- (b) our independent non-executive Directors will review, on an annual basis, the compliance with the non-competition undertaking by the Covenantors under the Deed of Non-Competition;
- (c) the Covenantors undertake to provide all information necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-Competition;
- (d) we will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance and enforcement of the Deed of Non-Competition either through our annual report or by way of announcement to the public;
- (e) the Covenantors undertake to abstain from voting at any general meeting of our Company if there is any actual or potential conflict of interest;
- (f) the Covenantors will make an annual declaration on compliance with their undertaking under the Deed of Non-Competition in our annual report and make disclosure on how the Deed of Non-Competition has been complied with and enforced, consistent with the principle of making voluntary disclosure in the corporate governance report; and
- (g) we have appointed Southwest HK Capital as our compliance adviser which shall provide us with professional advice and guidance in respect of compliance with the Listing Rules and applicable laws.

CONNECTED TRANSACTION

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

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Trademark licensing agreements

SFS Construction Macau entered into a licence agreement and an addendum agreement (collectively, the “**Hong Kong Trademark Licence Agreements**”) with San Fong Seng Group Limited on 1 January 2017 and 15 September 2017, respectively. Pursuant to the HK Trademark Licence Agreements, San Fong Seng Group Limited granted an exclusive license to us to use the registered trademarks “” and “” (the “**HK Trademarks**”) specifically for the construction business in Hong Kong at a consideration of HK\$1.00 for an initial term of three years commencing from 1 January 2017 and ending on 31 December 2019.

SFS Construction Macau entered into a licence agreement and an addendum agreement (collectively, the “**Macau Trademark Licence Agreements**”) with Red Development on 1 January 2017 and 15 September 2017, respectively. Pursuant to the Macau Trademark Licence Agreements, San Fong Seng Group Limited granted an exclusive license to us to use the registered trademarks “” (the “**Macau Trademark**”) specifically for the construction business in Macau at a consideration of HK\$1.00 for an initial term commencing from 1 January 2017 and ending on 26 September 2018.

CONNECTED PERSONS

San Fong Seng Group Limited is owned as to 70% by Laos International and 30% by WHM Holdings. Laos International is a company wholly owned by Mr. Lao and WHM Holdings is a company wholly owned by Mrs. Lao. San Fong Seng Group Limited is therefore an associate of Mr. Lao and Mrs. Lao, and a connected person of our Company.

Red Development is owned as to 2% by Ms. Vicki Lao and 98% by SFS Real Estate Holdings Limited, which is in turn owned as to 70% by Laos International and 30% by WHM Holdings. Red Development is therefore an associate of Mr. Lao and Mrs. Lao, and a connected person of our Company.

San Fong Seng Group Limited is an investment holding company and currently holds the HK Trademarks. Red Development is an investment holding company and currently holds the Macau Trademark, and the subsidiaries of which carries out property development and investment in Macau and the PRC, and the provision of construction works in the PRC.

CONNECTED TRANSACTION

Our Directors (including our independent non-executive Directors) confirmed that the Hong Kong Trademark Licence Agreements and Macau Trademark Licence Agreements were entered into in the ordinary and usual course of our business and the terms thereof (including the respective annual caps) are on normal commercial terms which are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Implications under the Listing Rules

Given that each of the applicable percentage ratios under Chapter 14A of the Listing Rules in respect of the above transactions is less than 0.1%, the transactions under the Hong Kong Trademark Licence Agreements and Macau Trademark Licence Agreements will be fully exempt from the reporting, annual review, announcement and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS AND SENIOR MANAGEMENT

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

Name	Age	Present position(s) in our Company	Date of appointment as Director	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and/or senior management
Executive Directors						
Mr. Lao Chio Seng (劉朝盛先生)	58	Chairman of the Board and executive Director	23 February 2017	5 July 1998	Responsible for the overall business strategies and expansion of our Group	Father of Ms. Vicki Lao and Ms. Athena Lao; father-in-law of Mr. Cheang
Ms. Lao Chao U (劉秋瑜女士)	30	Chief executive officer and executive Director	23 February 2017	3 January 2011	Responsible for the day-to-day operations of our Group	Daughter of Mr. Lao; younger sister of Ms. Vicki Lao; spouse of Mr. Cheang
Ms. Lao Ka U (劉家裕女士)	32	Executive Director	23 February 2017	21 September 2009	Responsible for the overall business development and planning of our Group	Daughter of Mr. Lao; eldest sister of Ms. Athena Lao; sister-in-law of Mr. Cheang
Mr. Cheang Iek Wai (鄭益偉先生)	30	Executive Director	23 February 2017	2 June 2014	Responsible for finance and account management aspects and engaging in corporate finance functions in our Group	Spouse of Ms. Athena Lao; son-in-law of Mr. Lao; brother-in-law of Ms. Vicki Lao
Mr. Ip Kin Wa (葉建華先生)	51	Executive Director	23 February 2017	17 April 2006	Responsible for project management	N/A

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Present position(s) in our Company	Date of appointment as Director	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and/or senior management
Independent Non-executive Directors						
Mr. Chu Yat Pang Terry (朱逸鵬先生)	46	Independent non-Executive Director	17 August 2018	17 August 2018	Supervising and providing independent advice to the Board	N/A
Mr. Law Wang Chak Waltery (羅宏澤先生)	55	Independent non-Executive Director	17 August 2018	17 August 2018	Supervising and providing independent advice to the Board	N/A
Mr. Choy Wai Shek, Raymond, <i>MH, JP</i> (蔡偉石先生, 榮譽勳章, 太平紳士)	69	Independent non-Executive Director	17 August 2018	17 August 2018	Supervising and providing independent advice to the Board	N/A

Executive Directors

Mr. LAO Chio Seng (劉朝盛先生), aged 58, was appointed as our Director on 23 February 2017 and was re-designated as our Chairman and our executive Director on 17 August 2018. He is responsible for the overall business strategies and expansion of our Group. Mr. Lao is the founder of our Group, and he is also a director of SFS BVI, SFS Construction Macau and SFS Construction Hong Kong.

Mr. Lao has been engaging in the construction industry for over 20 years and has been involved in various major construction projects such as casino-hotel complexes, department store and residential projects, thereby gaining extensive experience in the construction industry. Mr. Lao founded SFS Construction Macau in July 1998.

He was the deputy chairman of Jiangmen Youth Federation of Overseas Chinese* (江門僑界青年聯合會副會長) in 2008. As a recognition of his contributions to the construction industry and society, Mr. Lao has received awards including “Special Contribution to the Construction of Xinhui Overseas Chinese Middle School* (新會區創建廣東省教育強區特別貢獻獎)” from Xinhui People’s Government, “Jiangmen honorary citizen* (江門市榮譽市民)” by the Jiangmen Municipal People’s Government (江門市人民政府), and “Outstanding Individual* (先進個人)” from Jiangmen Returned Overseas Chinese Association* (江門市歸國華僑聯合會) in 2008. He was appointed as the honorary chairman of International Police Association Macau Section* (國際警察協會澳門分會榮譽會長) in 2016 and the honorary consultant of Macau Construction Machinery Engineering Association* (澳門建築機械工程商會名譽顧問) in 2015.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. Lao is the honorary chairman of Macau Engineering Superintendent Association (澳門工程施工主管協會名譽會長). He is also the permanent honorary consultant of Xinhui Daze Town Communal Society of Overseas Chinese* (僑港新會大澤同鄉會永遠名譽顧問), the permanent honorary president of Xinhui Charity Organisation* (新會慈善會永遠榮譽會長), the honorary deputy chairman of Global Cantonese Association of Guangdong* (廣東省廣府人珠璣巷後裔海外聯誼會名譽副會長), the deputy director of Macau Construction Association* (澳門建造商會副理事長), the honorary chairman of Macau ASEAN International Chamber of Commerce* (澳門東盟國際商會名譽主席) and the deputy chairman of Macau Jiangmen Communal Society* (澳門江門同鄉會副會長).

In addition, Mr. Lao is a member of Harbin Committee of Chinese People's Political Consultative Conference* (中國人民政治協商會議哈爾濱市委員會委員) and an honorary director of Xinhui Branch Red Cross Society of China* (江門市新會區紅十字會名譽理事).

Mr. Lao was a director of Rich August Limited (富柏有限公司), a limited liability company incorporated in Hong Kong and was deregistered pursuant to section 291AA of the Predecessor Companies Ordinance on 24 January 2014. Mr. Lao confirmed that such company was inactive and solvent at the time of dissolution. Mr. Lao further confirmed that there was no wrongful act on his part leading to the dissolution or filing of dissolution of such company and he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolution or filing of dissolution of such company.

Mr. Lao did not hold any directorship in any listed companies during the Track Record Period. Mr. Lao is the father of Ms. Vicki Lao and Ms. Athena Lao and is the father-in-law of Mr. Cheang.

Ms. LAO Chao U (劉秋瑜女士), aged 30, was appointed as our Director on 23 February 2017 and was re-designated as our chief executive officer and executive Director on 17 August 2018. She is responsible for the day-to-day operations of our Group. She serves as a member of the remuneration committee. She is also a director of SFS Construction Macau. Ms. Athena Lao obtained a bachelor's degree in science from University of California, Berkeley in the United States in December 2010. Ms. Athena Lao is a civil engineer* (執行工程指導職務而作之技術員) registered with DSSOPT and a civil engineer registered with the Council of Architecture, Engineering and Urban Planning (建築工程及城市規劃專業委員會) in Macau. She became a member and was appointed as a review examiner of the Chartered Institution of Civil Engineering Surveyors in July 2016 and April 2017, respectively.

Ms. Athena Lao has around six years of experience in the construction industry in Macau. Ms. Athena Lao joined our Group in January 2011 as an engineer of SFS Construction Macau and had then been a project coordinator, a project assistant, an assistant project manager and a general manager of SFS Construction Macau, of which she gained the knowledge and experience in the rundown of construction projects.

Ms. Athena Lao is the deputy director of Macao ASEAN International Chamber of Commerce* (澳門東盟國際商會副理事長), the Deputy Chairman of Macau Jiangmen Youth Association* (澳門江門青年會副會長) and the Honorary Secretary of Chartered Institution of Civil Engineering Surveyors (Macau Region)* (英國皇家特許土木工程測量師學會(澳門區)秘書長). Ms. Athena Lao is also a member of the Macau Institution of Engineers* (澳門工程師學會會員).

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Ms. Athena Lao did not hold any directorship in any listed companies during the Track Record Period. Ms. Athena Lao is the daughter of Mr. Lao, the younger sister of Ms. Vicki Lao and the spouse of Mr. Cheang.

Ms. LAO Ka U (劉家裕女士), aged 32, was appointed as our Director on 23 February 2017 and was re-designated as our executive Director on 17 August 2018. She is responsible for the overall business development and planning of our Group. She is also a director of SFS BVI and SFS Construction Macau. Ms. Vicki Lao obtained a bachelor's degree in architecture from Woodbury University in the United States in May 2009. Ms. Vicki Lao is an architect* (執行計劃編制職務而作之技術員) registered with DSSOPT in Macau and an architect registered with the Council of Architecture, Engineering and Urban Planning (建築、工程及城市規劃專業委員會) in Macau.

Ms. Vicki Lao has around seven years of experience in the construction industry in Macau. Ms. Vicki Lao first joined our Group in September 2009 as the assistant to the chairman of SFS Construction Macau and was promoted to be a director on June 2010.

In 2012, she was a committee member of Guangdong Youth Federation* (廣東省青年聯合會委員). In 2013, she was then appointed as the deputy president of Jiangmen Youth Federation of Overseas Chinese* (江門僑界青年聯合會副理事長) and was named a Jiangmen honorary citizen* (江門市榮譽市民) by Jiangmen Municipal People's Government (江門市人民政府). She was a committee member of Guangxi Chongzuo City Federation of Overseas Chinese* (廣西崇左市歸國華僑聯合會委員) in 2014. In 2015, she was appointed as the director of Jiangmen Overseas Chinese Enterprise Federation* (江門市僑商總會理事). In 2016, she was appointed as the deputy chairman of Global Cantonese Association of Macau* (澳門廣府人(珠璣聯誼會)副會長).

She is currently a member of the 13th Jiangmen Committee of the Chinese People's Political Consultative Conference* (中國人民政治協商會議廣東省第十三屆江門市委員會委員) and the president of Macao Jiangmen Communal Society* (澳門江門同鄉會理事長).

Ms. Vicki Lao did not hold any directorship in any listed companies during the Track Record Period. Ms. Vicki Lao is the daughter of Mr. Lao, the elder sister of Ms. Athena Lao and the sister-in-law of Mr. Cheang.

Mr. CHEANG Iek Wai (鄭益偉先生), aged 30, was appointed as our Director on 23 February 2017 and was re-designated as our executive Director on 17 August 2018. He is responsible for finance and account management aspects and engaging in corporate finance functions in our Group. He also serves as a member of the nomination committee. Mr. Cheang obtained a bachelor's degree of commerce in majors of finance and accounting from the University of Sydney in Australia in October 2008 and a master degree of finance specialising in investment banking from the University of New South Wales in Australia in August 2009. Mr. Cheang was granted the designation of financial risk manager (FRM) by the Global Association of Risk Professionals in 2011.

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Mr. Cheang joined our Group in June 2014 as a finance director of SFS Construction Macau and was mainly responsible for overseeing the financial matters of SFS Construction Macau. Prior to joining our Group, Mr. Cheang served as an officer of Market and Operational Risk Management Department of Luso International Banking Limited from September 2009 to September 2010, a personal banker at China Construction Bank (Macau) Limited from October 2010 to September 2012 and an account manager for private banking and institutional customers at Banco Nacional Ultramarino, S.A. from October 2012 to May 2014.

Mr. Cheang did not hold any directorship in any listed companies during the Track Record Period. Mr. Cheang is the spouse of Ms. Athena Lao, the son-in-law of Mr. Lao and the brother-in-law of Ms. Vicki Lao.

Mr. IP Kin Wa (葉建華先生) (“Mr. Ip”), aged 51, was appointed as our Director on 23 February 2017 and was re-designated as our executive Director on 17 August 2018. He is responsible for project management. Mr. Ip graduated from the Fujian Institutions of Higher Learning* (福建高等學校) in the PRC in July 1988 and had obtained the diploma of safety supervisor from the Labour Affairs Bureau of Macau and Macau Construction Works School (澳門建築工程學校) in 1993. Mr. Ip completed the trainer course for occupational safety card for the construction industry organised by the Labour Affairs Bureau of Macau in December 2012.

Mr. Ip has more than 20 years of experience in the construction and fitting-out industry of Macau. Mr. Ip joined our Group as the deputy general manager of SFS Construction Macau from April 2006 to September 2012. In July 2010, Mr. Ip established Wa Fa Kin Ip Engineering Co. Ltd (華發建業工程有限公司) (“**Wa Fa**”), a company which carried out construction works services and owned as to 90% by him and 10% by his spouse. In December 2013, while remaining as a director of Wa Fa, Mr. Ip rejoined our Group as a senior project manager for facilitating the works of Wa Fa to manage and supervise our four construction projects (i.e. to communicate as the representative of our Group with the parties working on the projects, in particular, the subcontractors). In July 2015, having considered the performance and contribution of Mr. Ip to our Group, as well as Mr. Ip’s intention to develop his career within our Group and join the management team of our Group for future development, Mr. Ip was appointed as a director of SFS Construction Macau and all the contracts entered into between our Group and Wa Fa were then terminated to avoid any conflict of interest. Prior to joining our Group in 2006, he was employed by Tong Lei Engineering & Construction Company Limited from December 1995 to April 2004 and the latest position he served was the project manager. Mr. Ip served as the project manager of Top Builders Group Limited from April 2004 to April 2006.

Mr. Ip has undertaken various social responsibilities. He is a member of the 12th Quanzhou Committee of the Chinese People’s Political Consultative Conference* (中國人民政治協商會議第十二屆泉州市委員會委員), the director of Hunan Overseas Friendship Association* (湖南省海外聯誼會理事), the permanent chairman of Macau Engineering Superintendent Association* (澳門工程施工主管協會永遠會長), the permanent chairman of Macau Nan An Shishan Association* (澳門南安詩山同鄉會永遠會長), the executive deputy chairman and the executive deputy secretary general* (常務副會長兼常務副秘書長) of Nam On Natives Association of Macau* (澳門南安同鄉會) and

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Nanan Chamber of Commerce of Macau* (澳門南安商會) and the deputy chairman of Macao Ip's Clan Association* (澳門葉氏宗親會副會長). He was a trainer for occupational safety card for the construction industry organised by the Labour Affairs Bureau of Macau from October 2016 to December 2016.

Mr. Ip did not hold any directorship in any listed companies during the Track Record Period.

Independent non-executive Directors

Mr. CHU Yat Pang Terry (朱逸鵬先生), aged 46, was appointed as our independent non-executive director on 17 August 2018. He is responsible for overseeing the management of our Group independently. He also serves as the chairman of the remuneration committee of the Board and a member of the audit committee of the Board. Mr. Chu obtained the degree of bachelor of arts from the University of Western Ontario in Canada in June 1992 and a master of business administration degree in investment and finance from the University of Hull in the United Kingdom in June 1997. He also obtained a diploma in accounting from the School of Business and Economics of Wilfrid Laurier University in Canada in October 1993. Mr. Chu is a member of the Hong Kong Institute of Certified Public Accountants since June 1997.

Mr. Chu has over 24 years of experience in auditing and corporate finance. Prior to joining our Group, Mr. Chu worked for the Department of Assurance and Advisory Business Services of Ernst & Young, an international accounting firm from September 1993 to February 2000 when he left the firm as a manager. Mr. Chu joined China Everbright Capital Limited, a corporate finance company, as a manager in March 2000. In February 2001, he joined Haitong International Capital Limited, being a subsidiary of Haitong International Securities Group Limited (formerly known as Taifook Securities Group Limited), a financial institution whose shares are listed in the main board of the Stock Exchange (stock code: 665), till September 2012 when he last served as managing director — corporate finance where he was responsible for managing and supervising the corporate finance advisory business. From January 2013 to present, Mr. Chu is a managing director of a Halcyon Capital Limited and a licensed representative of Halcyon Securities Limited in Hong Kong. Mr. Chu manages initial public offerings and fund-raising exercises and advises listed companies on mergers and acquisitions, and other corporate transactions.

Mr. Chu has been an independent non-executive director of Hong Kong Finance Group Limited (stock code: 1273) since September 2013 and Ten Pao Group Holdings Limited (stock code: 1979) since November 2015, the shares of which are listed on the Main Board of the Stock Exchange. Save as disclosed above, Mr. Chu has not held any directorship in any listed company during the Track Record Period.

Mr. LAW Wang Chak Waltery (羅宏澤先生), aged 55, was appointed as our independent non-executive director on 17 August 2018. He is responsible for overseeing the management of our Group independently. He also serves as the chairman of the audit committee of the Board and a member of the nomination committee of the Board. Mr. Law graduated from the University of London in the United Kingdom with a bachelor's degree in economics in August 1991 and a master's degree in financial economics in December 1995. Mr. Law was admitted as a fellow of the Chartered

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Association of Certified Accountants (currently known as Association of Chartered Certified Accountants) in the United Kingdom in October 1995, the Hong Kong Society of Accountants (currently known as Hong Kong Institute of Certified Public Accountants) in February 1998 and The Institute of Chartered Accountants in England and Wales in July 2017.

Mr. Law has over 30 years of experience in the accounting, financial auditing, financial due diligence reviews, mergers and acquisitions, corporate financing and corporate restructuring profession. Mr. Law served different key roles such as chief financial officer and vice president of the financial department in four other companies listed on the Main Board of the Stock Exchange from 1992 to 2004. Prior to that, Mr. Law had worked in the audit division of Coopers & Lybrand (currently known as PricewaterhouseCoopers), for more than five years.

Prior to joining our Group, Mr. Law was an executive partner of Profundas Capital Limited, a private equity and investment advisory firm, from December 2010 to January 2018. Mr. Law was the chief financial officer and non-executive director of Nine Dragons Paper (Holdings) Limited (stock code: 2689), the shares of which are listed on the Main Board of the Stock Exchange, from June 2004 to October 2008 and from August 2008 to October 2008, respectively. Mr. Law was an independent non-executive director of Orient Victory China Holdings Limited (currently known as Orient Victory Travel Group Company Limited) (stock code: 265), the shares of which are listed on the Main Board of the Stock Exchange, from September 2014 to June 2018.

Since April 2015, Mr. Law has been an independent non-executive director of D&G Technology Holding Company Limited (stock code: 1301), the shares of which are listed on the Main Board of the Stock Exchange. Since 10 November 2016, Mr. Law has been a non-executive director of In Technical Production Holdings Limited (stock code: 8446), a company listed on the GEM of the Stock Exchange. Since November 2017, Mr. Law has been an independent non-executive director of both Solis Holdings Limited (stock code: 2227) and Vicon Holdings Limited (stock code: 3878), the shares of which are listed on the Main Board of the Stock Exchange. Mr. Law is also currently a senior vice president of the finance and corporate development of Gold Peak Industries (Holdings) Limited (stock code: 0040), the shares of which are listed on the Main Board of the Stock Exchange.

Mr. Law was a director of Gold Wheat Limited (兆禾有限公司) and Infoage Developments Limited (資信發展有限公司), both of which were limited liability companies incorporated in Hong Kong and were deregistered pursuant to section 291AA of the Predecessor Companies Ordinance on 13 July 2001 and 14 September 2007, respectively. Mr. Law further confirmed that there was no wrongful act on his part leading to the dissolution or filing of dissolution of such companies and he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolution or filing of dissolution of such companies.

Save as disclosed above, Mr. Law has not held any directorship in any listed company during the Track Record Period.

Mr. CHOY Wai Shek, Raymond, MH, JP (蔡偉石先生，榮譽勳章，太平紳士), aged 69, was appointed as our independent non-executive Director on 17 August 2018. He is responsible for overseeing the management of our Group independently. He also serves as the chairman of the

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nomination committee of the Board and member of the audit committee of the Board. Mr. Choy was awarded a diploma in Chinese Law from the University of East Asia Macau in Macau (currently known as the University of Macau) in October 1987 and a diploma in Political Science from the International Affairs College, Institute of International Relations Hong Kong in July 1988.

Prior to joining our Group, Mr. Choy was an elected member of the Sham Shui Po District Board from April 1985 to March 1991 and subsequently became the chairman from April 1991 to September 1994. Mr. Choy was a member of the Consultative Committee on the New Airport and Related Projects of the Government in November 1991 to October 1993, a Hong Kong affairs adviser appointed by the Hong Kong and Macao Affairs Office and the Xinhua News Agency of the State Council from April 1994 to June 1997, a committee member and the vice-chairman of the Occupational Safety and Health Council of the Labour and Welfare Bureau from 2004 to 2010, a member of the Energy Advisory Committee of the Environment Bureau from 2006 to 2012 and a member of the Consumer Council of the Commerce and Economic Development Bureau from January 2006 to December 2011.

He was a member of the 9th to 12th Guangzhou Committee of the Chinese People's Political Consultative Conference* (中國人民政治協商會議廣州市委員會第九至第十二屆委員). He was also appointed as a vice president of GMC Hong Kong Member Association in February 2012 and has been a committee member of the 50th Chinese General Chamber of Commerce since November 2016.

Mr. Choy has been an independent non-executive director of New Concept Holdings Limited (stock code: 2221) and Far East Hotels and Entertainment Limited (stock code: 37), the shares of which are listed on the Main Board of the Stock Exchange, since August 2014 and September 2004, respectively.

Mr. Choy was a director of Luen Fung Food Trading Limited (聯豐行食品有限公司) and Fairyland Construction and Engineering Limited (聯美建築工程有限公司), both of which were limited liability companies incorporated in Hong Kong and were deregistered pursuant to section 291AA of the Predecessor Companies Ordinance on 9 August 2013 and 28 March 2014, respectively. Mr. Choy further confirmed that there was no wrongful act on his part leading to the dissolution or filing of dissolution of such companies and he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolution or filing of dissolution of such companies.

Save as disclosed above, Mr. Choy has not held any directorship in any listed company during the Track Record Period.

As at the Latest Practicable Date and saved as disclosed in this prospectus, each of our Directors confirms with respect to himself / herself that (i) he/ she does not have any relationship with any other Directors, senior management or substantial or Controlling Shareholders of our Company; (ii) he/ she does not hold any position in our Company or other members of our Group; (iii) he/ she does not have any interests in our Shares within the meaning of Part XV of the SFO; (iv) there is no other information relating to him/her that should be disclosed pursuant to the requirements under Rule 13.51(2)(h) to 13.51(2)(v) of the Listing Rules; and (v) there are no other matters that need to be brought to the attention of our Shareholders.

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SENIOR MANAGEMENT

The following table sets out the information of our senior management:

Name	Age	Present position(s) in our Company	Date of appointment as senior management	Date of joining our Group	Roles and responsibilities	Relationship with other Directors and/or senior management
Mr. Ho Wai Chuen (何惠泉先生)	65	Construction director	28 March 2017	28 March 2017	Responsible for carrying out strategic plans and explore business opportunities	N/A
Mr. Yeung Yun Ki (楊潤祺先生)	60	Commercial manager	3 December 2012	3 December 2012	Responsible for tendering and contract management	N/A
Mr. Pang Man Chun Manson (彭文俊先生)	47	Financial controller	10 November 2015	10 November 2015	Directing overall financial management of our Group	N/A

Mr. HO Wai Chuen (何惠泉) (“Mr. Ho”), aged 65, is a construction director of SFS Construction Macau. He joined our Group in March 2017 and is responsible for carrying out strategic plans and explore business opportunities.

Mr. Ho attained various qualifications relating to the construction industry. In February 1974, he obtained the certificate in training course for foremen in construction industry issued by the Building Contractors’ Association Ltd. and the Hong Kong Productivity Centre. In January 1975, he completed training courses on basic industrial accident prevention and advanced industrial safety conducted by the Industrial Safety Training Centre of the Labour Department of Hong Kong. In June 1975, he obtained the certificate in concrete technology training course issued by the Hong Kong Productivity Centre. In October 1994, he completed the self-learning certificate programme on principles of business management organised by the Hong Kong Management Association. In June 2004, he completed and passed the examination for safety management training course for managers organised by the Occupational Safety & Health Management Institute.

Prior to joining our Group, Mr. Ho had worked at various construction companies such as Gammon (Hong Kong) Limited, Leighton Contractors (Asia) Company Limited and Wan Chung Construction Company Limited. Mr. Ho has over 40 years of work experience in the construction industry.

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Mr. Ho did not hold any directorship in any listed companies during the Track Record Period.

Mr. YEUNG Yun Ki (楊潤祺) (“Mr. Yeung”), aged 60, is the commercial manager of SFS Construction Macau. He joined our Group in December 2012 and is responsible for tendering and contract management of our Group.

Mr. Yeung obtained the Certificate in Civil Engineering from Hong Kong Polytechnic (currently known as Hong Kong Polytechnic University) in November 1982. He further obtained the Higher Certificate in Civil Engineering from Hong Kong Polytechnic (currently known as Hong Kong Polytechnic University) in November 1985.

Mr. Yeung received other trainings relating to construction. He completed the construction safety officer course in September 1988 organised by the Construction Industry Training Authority, and the course on labour relations organised by Labour Department in August 1989. In April 1990, he completed the distance learning certificate programme on practical personnel management organised by the Hong Kong Management Association. In January 1992, he attended the quality auditor training seminar organised by Handley-Walker. In 2011, he completed the modern safety management training organised by Det Norske Veritas and the DNV ISRS element leader training organised by the Occupational Safety & Health & Environmental Training Institute.

Mr. Yeung has over 33 years of work experience in the construction industry. Prior to joining our Group, during the period from April 2005 to January 2006, he was employed as the site administration manager at Chun Wo Construction & Engineering Co., Ltd. He was then employed by Galaxy Professional Services Limited as the manager of Human Resources & Administration Corporate Office from November 2006 to July 2007, and as a manager of Administration StarWorld Hotel & Casino from August 2007 to December 2008. From March 2009 to July 2009, he was employed by Panda Sociedade de Gestao de Investimentos Limitada as administration manager for General Affair Department. Subsequently, he was employed by Nishimatsu Construction Co., Ltd as an administration manager from June 2011 to September 2012.

Mr. Yeung did not hold any directorship in any listed companies during the Track Record Period.

Mr. PANG Man Chun Manson (彭文俊先生), aged 47, is the financial controller of our Group. He joined our Group in November 2015. He is responsible for the overall financial management of our Group. He obtained a bachelor’s degree in accounting from the University of Canberra, Australia in April 1998. He is a Certified Practising Accountant of CPA Australia and a member of the Hong Kong Institute of Certified Public Accountants since June 2006 and July 2007, respectively.

Mr. Pang has more than 17 years of experience in finance and accounting. Prior to joining our Group, he was an auditor with Sabrina Chan & Company, CPA from March 1998 to October 2004. During the period from November 2004 to October 2005, he was an accountant with Zolar Company Limited. He later returned to Sabrina Chan & Company, CPA as senior auditor from November 2006 to April 2007. He was an accountant with Asahi Group Company Limited from April 2007 to July 2007, the chief financial officer of Strong Petrochemical Holdings Limited (stock code: 852), the shares of which are listed on the Main Board of the Stock Exchange, from March 2008 to February 2012.

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Mr. Pang did not hold any directorship in any listed companies during the Track Record Period.

COMPANY SECRETARY

Mr. LAI Yang Chau, Eugene (黎瀛洲), aged 48, was appointed as the company secretary of our Company on 18 April 2017. Mr. Lai obtained his bachelor of laws degree from University of Hong Kong in December 1992, a master of laws degree on Chinese laws from Renmin University of China (中國人民大學) in January 1998, and an EMBA Global Asia degree conferred jointly by Columbia University, London Business School and the University of Hong Kong in June 2012. He has also completed the Senior Executive Program for China, jointly organised by Harvard Business School, Tsinghua University and China Europe International Business School in December 2011. Mr. Lai has attained alumni status from Harvard Business School in July 2017. Mr. Lai is currently a practicing solicitor in Hong Kong. He has experience in international corporate finance, cross border merger and acquisition, and securities laws in Hong Kong.

Mr. Lai is currently an independent non-executive director of Link Holdings Limited (stock code: 8237), a company listed on the GEM of the Stock Exchange; the company secretary of Sinopec Kantons Holdings Limited (stock code: 934) and the company secretary of Strong Petrochemical Holdings Limited (stock code: 852), both companies listed on the Main Board of the Stock Exchange. Save as disclosed above, Mr. Lai has not held any directorship in any listed company during the Track Record Period.

BOARD COMMITTEES

Audit committee

Our Company established an audit committee on 17 August 2018 in compliance with Rule 3.21 of the Listing Rules. Written terms of reference in compliance with paragraph C.3.3 of the Corporate Governance Code has been adopted. The primary roles of our audit committee include, but are not limited to, (a) making recommendations to our Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; (b) monitoring integrity of our financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgements contained in them; and (c) reviewing our financial controls, internal control and risk management systems.

Our audit committee consists of three members, namely, Mr. Law Wang Chak Waltery, Mr. Chu Yat Pang Terry and Mr. Choy Wai Shek, Raymond, *MH, JP*. Mr. Law Wang Chak Waltery is the chairman of our audit committee. Please refer to the paragraph headed “Directors and senior management” under this section for the backgrounds of the members of our audit committee.

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Remuneration committee

Our Company established a remuneration committee on 17 August 2018 in compliance with Rule 3.25 of the Listing Rules. Written terms of reference in compliance with paragraph B.1.2 of the Corporate Governance Code has been adopted. The primary roles of our remuneration committee include, but are not limited to, (a) making recommendations to our Board on our policy and structure for the remuneration of all of our Directors and senior management personnel and on the establishment of a formal and transparent procedure for developing remuneration policy; and (b) reviewing and approving our management's remuneration proposals with reference to our Board's corporate goals and objectives.

Our remuneration committee consists of three members, namely, Mr. Chu Yat Pang Terry, Mr. Choy Wai Shek, Raymond, *MH, JP* and Ms. Athena Lao. Mr. Chu Yat Pang Terry is the chairman of our remuneration committee. Please refer to the paragraphs headed "Directors and senior management" under this section for the backgrounds of the members of our remuneration committee.

Nomination committee

Our Company established a nomination committee on 17 August 2018 in compliance with paragraph A.5.1 of the CG Code. Written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code has been adopted. The primary roles of our nomination committee include, but are not limited to, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and making recommendations on any proposed changes to our Board to complement our corporate strategy; (b) identifying individuals suitably qualified to become our Board members and selecting or making recommendations to our Board on the selection of individuals nominated for directorships; and (c) assessing the independence of our independent non-executive Directors.

Our nomination committee consists of three members, namely, Mr. Choy Wai Shek, Raymond, *MH, JP*, Mr. Law Wang Chak Waltery and Mr. Cheang. Mr. Choy Wai Shek, Raymond, *MH, JP* is the chairman of our nomination committee. Please refer to the paragraphs headed "Directors and senior management" under this section for the backgrounds of the members of our nomination committee.

COMPLIANCE ADVISER

We have appointed Southwest Securities (HK) Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances: (a) before the publication of any regulatory announcement, circular or financial report; (b) where a transaction, which might be notifiable or connected transaction under the Listing Rules, is contemplated including share issue and share repurchases; (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operations deviate from any forecast, estimate or other information in this prospectus; and (d) where the Stock Exchange makes an enquiry of our Company regarding unusual movements in the price or trading volume of our Shares.

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The term of the appointment will commence on the Listing Date and end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

The compliance adviser shall provide us with services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines, and to act as one of our principal channels of communication with the Stock Exchange.

REMUNERATION OF MANAGEMENT PERSONNEL

Our Directors and senior management personnel receive remuneration in the form of salaries, bonuses, other allowances, share options and benefits in kind. We determine the salaries of our Directors (including our independent non-executive Directors) and senior management personnel based on each Director's and senior management personnel's qualification, position and seniority. In addition to salaries, our Directors may receive discretionary bonuses. The aggregate amount of remuneration (including basic salaries, housing benefits, other allowances and benefits in kind and pension scheme contributions) paid to our Directors for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 amounted to approximately MOP1.7 million, MOP2.4 million, MOP3.1 million, MOP3.8 million and MOP1.4 million, respectively. Details of the remuneration paid to our executive Directors during the Track Record Period are set out in Note 14 to the Accountants' Report of our Group in Appendix I to this prospectus.

The aggregate amount of remuneration (including salaries, allowances and benefits in kind, performance-related bonuses and pension scheme contributions) paid to the five highest paid individuals (including our Directors) of our Group for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 amounted to approximately MOP5.0 million, MOP4.0 million, MOP4.7 million, MOP6.2 million and MOP2.3 million, respectively.

Our Directors (including our independent non-executive Directors) and senior management personnel are entitled to participate in the Share Option Scheme, the principal terms of which are set out under the section headed "Statutory and General Information — D. Share Option Scheme" in Appendix V to this prospectus.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors, past Directors or the five highest paid individuals for the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emolument during the same period. Further details of the terms of the service agreements of and remuneration paid to our Directors are set out under the section headed "Statutory and General Information — C. Disclosure of Interest — 3. Particulars of service agreements and appointment letters" in Appendix V to this prospectus.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

STAFF BENEFITS

We also provide other benefits to our staff including bonuses. As of the Latest Practicable Date, we had not experienced any strikes or other labour disputes which materially affected our business activities. Remuneration of our employees primarily includes salaries, discretionary bonuses and contributions to welfare plans including social security funds contribution managed by Macau Government. During the Track Record Period, we have staff costs charged to profit and loss of approximately MOP12.8 million, MOP8.1 million, MOP9.4 million, MOP10.0 million and MOP4.0 million, respectively, representing approximately 2.4%, 2.0%, 2.5%, 5.4% and 4.1%, of our revenue for those periods, respectively.

The total amount of contributions we made for social security funds contribution managed by Macau Government, for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, were approximately MOP80,000, MOP128,000, MOP151,000, MOP338,000 and MOP126,000, respectively.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and Global Offering (without taking into account any Share which may be allotted and issued pursuant to the Over-allotment Option and any Shares to be issued upon the exercise of any option which may be granted under the Share Option Scheme), the following persons will have an interest or a short position in the Shares which will be required to be disclosed to us and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the par value of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Shareholders:

Name	Nature of interest	As at Latest Practicable Date		Immediately after completion of the Capitalisation Issue and the Global Offering	
		Number of Shares (Note 1)	Approximate percentage of shareholding in our Company	Number of Shares (Note 1)	Approximate percentage of shareholding in our Company
Laos International (Note 2)	Beneficial owner	14,000(L)	70%	315,000,000(L)	52.5%
Mr. Lao (Notes 2 and 3)	Interest in a controlled corporation and interest of spouse	20,000(L)	100%	450,000,000(L)	75%
WHM Holdings (Note 4)	Beneficial owner	6,000(L)	30%	135,000,000(L)	22.5%
Mrs. Lao (Notes 4 and 5)	Interest in a controlled corporation and interest of spouse	20,000(L)	100%	450,000,000(L)	75%

Notes:

- The letter “L” denotes the Shareholder’s long position in the Shares.
- Laos International is wholly owned by Mr. Lao, our Controlling Shareholder, chairman and executive Director.
- Shares in which Mr. Lao is interested consist of (i) 315,000,000 Shares held by Laos International, a company wholly owned by Mr. Lao, in which Mr. Lao is deemed to be interested under the SFO; and (ii) 135,000,000 Shares held by his spouse, Mrs. Lao, in which Mr. Lao is deemed to be interested in such Shares under the SFO.
- WHM Holdings is wholly owned by Mrs. Lao, our Controlling Shareholder.
- Shares in which Mrs. Lao is interested consist of (i) 135,000,000 Shares held by WHM Holdings, a company wholly owned by Mrs. Lao, in which Mrs. Lao is deemed to be interested under the SFO; and (ii) 315,000,000 Shares held by her spouse, Mr. Lao, in which Mrs. Lao is deemed to be interested in such Shares under the SFO.

Except as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Global Offering, have an interest or a short position in the Shares which will be required to be disclosed to us and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the par value of any class of share capital carrying rights to vote in all circumstances at general meetings of Shareholders.

SHARE CAPITAL

SHARE CAPITAL

Without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon the exercise of any options which may be granted under the Share Option Scheme, the share capital of our Company immediately following the Capitalisation Issue and the Global Offering will be as follows:

<i>Authorised share capital</i>	<i>HK\$</i>
<u>10,000,000,000 Shares</u>	<u>100,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Global Offering:</i>	<i>HK\$</i>
20,000 Shares in issue at the date of this prospectus	200
449,980,000 Shares to be issued pursuant to the Capitalisation Issue	4,499,800
<u>150,000,000 Shares to be issued pursuant to the Global Offering</u>	<u>1,500,000</u>
<u>600,000,000 Total</u>	<u>6,000,000</u>

Assumptions

The above table assumes that the Global Offering becomes unconditional and the issuance of Shares pursuant to the Global Offering. It does not take into account (a) any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option; and (b) any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors to allot and issue or repurchase Shares as referred to below.

If the Over-allotment Option is exercised in full, then 22,500,000 additional Shares will be issued, resulting in a total enlarged issued share capital of HK\$6,225,000 divided into 622,500,000 Shares.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08 of the Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. The 150,000,000 Offer Shares represent 25% of the issued share capital of our Company upon the Listing.

RANKING

The Global Offering Shares will rank pari passu in all respects with all our Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the Listing Date other than participation in the Capitalisation Issue.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with our Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such securities convertible into Shares, and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Global Offering (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme); and
- (b) the aggregate nominal value of the share capital of our Company repurchased (if any) pursuant to the general mandate to repurchase Shares referred to in the paragraph headed “General mandate to repurchase Shares” in this section below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to the exercise of options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraph headed “Statutory and General Information — A. Further information about our Company — 4. Written resolutions of the Shareholders passed on 17 August 2018” in Appendix V to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all powers to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal value of our Company’s share capital in issue

SHARE CAPITAL

immediately following the completion of the Capitalisation Issue and the Global Offering (excluding any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme).

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

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of our Company; or
- (b) the expiration of the period within which the next annual general meeting is required by the Memorandum and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

For further details of this general mandate, please refer to the paragraphs headed “Statutory and General Information — A. Further information about our Company — 4. Written resolutions of the Shareholders passed on 17 August 2018” and “Statutory and General Information — A. Further information about our Company — 6. Repurchase by our Company of its own securities” in Appendix V to this prospectus.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 17 August 2018. Details of the principal terms of the Share Option Scheme are summarised in the paragraph headed “Statutory and General Information — D. Share Option Scheme” in Appendix V to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

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

FINANCIAL INFORMATION

You should read this section in conjunction with our Group's audited consolidated financial statements, including the notes thereto, as set forth in the Accountants' Report in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with the IFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect of future events and financial performance.

These statements are based on assumptions and analyses made by our Group in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group's expectations and projections depends on a number of risks and uncertainties over which our Group does not have control. For further information, please refer to the section headed "Risk Factors" in this prospectus.

OVERVIEW

We are an established construction contractor with over 20 years of operation in Macau. During the Track Record Period, our Group focused on providing (a) structural works, including substructure and superstructure works, such as foundation works, basement works, piling and pile cap works and the construction of high rise buildings; and (b) fitting-out works, in Macau. For details of our service, please refer to the section headed "Business" in this prospectus.

During the Track Record Period, SFS Construction Macau is our operating subsidiary and our revenue source. Our Group's revenue was solely derived from Macau's private sector which included non-commercial and commercial buildings. Our customer base for structural works and fitting-out works mainly comprised of hotel and casino owners, main contractors of hotel and casino projects and property developers.

We have completed eight structural works projects and 24 fitting-out works projects during the Track Record Period. For details of our major projects, please refer to the paragraph headed "Business — Our projects" in this prospectus. Our Group's revenue for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 were amounted to approximately MOP524.7 million, MOP399.1 million, MOP371.3 million, MOP185.2 million and MOP96.1 million, respectively. Among these, our Group's revenue generated from structural works projects accounted for approximately 83.8%, 50.1%, 35.4%, 11.6% and 22.9%, respectively, of our total revenue, and the revenue generated from fitting-out works projects undertaken by our Group was approximately 16.2%, 49.9%, 64.6%, 88.4% and 77.1%, respectively for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018.

Our Group's profit for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 amounted to approximately MOP53.9 million, MOP53.9 million, MOP60.3 million, MOP35.8 million and MOP14.4 million, respectively. For details of the movement of our profit during the Track Record Period, please refer to the paragraph headed "Principal components of results of operations" in this section.

FINANCIAL INFORMATION

According to Frost & Sullivan Report, due to the booming tourism and gaming industries in Macau, with a construction of a number of new hotels and casinos during 2013 and 2014, the value of construction work done had increased significantly from MOP24.8 billion in 2011 to MOP76.0 billion in 2014, representing a CAGR of approximately 45.3%. In 2013 and 2014, we had been awarded with four large-scale structural works contracts in the hotels and casinos sector. These four structural works projects which contributed revenue of approximately MOP408.2 million, MOP161.0 million, MOP126.7 million, MOP11.4 million and nil during the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 respectively, had taken up most of the capacity of our Group till the end of 2015.

As a number of sizable hotel and casino structural works projects were completed and reaching final stage between 2015 and 2016, we therefore carried on more fitting-out works to capture the industry demand. An usual construction project has different phases, where once the structural works are completed, which normally include substructure and superstructure works, it will then move to next phase that is the fitting-out works. Taking into account of the above industry trend and our Group's strategy to focus more on fitting-out works, our Company experienced a temporary decreasing trend of revenue generated from structural works and approximately 88.4% of our revenue for the year ended 31 December 2017 were from fitting-out works projects. Our revenue generated from structural works projects regained momentum as several structural works projects have been awarded since the third quarter of 2017. It contributed approximately 22.9% of our total revenue for the five months ended 31 May 2018.

As at the Latest Practicable Date, we had 17 on-going projects, including four structural works projects and 13 fitting-out works projects, with an aggregate contract sum of approximately MOP762.0 million. The said contract sum does not take into account any variation orders issued by our customers. Up to 31 May 2018, approximately MOP565.5 million, including revenue from the variation orders, has been recognised for the 17 on-going projects. The revenue to be recognised under these on-going projects is subject to change due to various factors, among others, request of variation orders, confirmation of provisional items/optional works under the construction contracts and actual construction progress.

Our Directors believe that, having considered (i) the expected recovery of the growth rate of and continuous increase in market size of superstructure and substructure works in Macau from 2018 onwards; (ii) our Group's enhanced financial resources generated from completion of previous large scale projects and proceed from Listing shall enable our Group to tender and undertake more construction projects from various sectors with different sizes; (iii) the purchase of machinery including excavators, crawler cranes and the recruitment plan of senior project managers and commercial director using part of the net proceeds from the Global Offering shall increase our ability to tender more construction projects, in particular structural works projects; and (iv) our track record projects and our reputation in the construction industry, including both structural works and fitting-out works, our Group can achieve stable and sustainable growth of the business.

FINANCIAL INFORMATION

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The selected financial information from our consolidated statements of financial position as at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018, our consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 and our consolidated statements of cash flows for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 set forth in this section are extracted from and should read in conjunction with the Accountants' Report set out in Appendix I to this prospectus.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 23 February 2017 with limited liability. Through the Reorganisation as further explained in the section headed "History and Corporate Structure — Reorganisation" in this prospectus, on 15 September 2017, our Company became the holding company of the subsidiaries now comprising our Group.

Our Group resulting from the above mentioned Reorganisation is regarded as a continuing entity and the historical financial information of our Group has been prepared as if our Company had been the holding company of SFS BVI and its subsidiaries throughout the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of our Group for the Track Record Period include the results, changes in equity and cash flows of the entities comprising our Group as if the current group structure had been in existence throughout the Track Record Period, taking into consideration of the dates of disposals, where appropriate.

The consolidated statements of financial position of our Group as at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018 have been prepared to present the assets and liabilities of the entities comprising our Group as if the current group structure had been in existence at those dates, taking into account the dates of disposals, where applicable.

Our audited consolidated financial information set forth in the Accountants' Report in Appendix I to this prospectus has been prepared in accordance with accounting policies which conform with International Financial Reporting Standards ("IFRSs") and applicable disclosures required by the Listing Rules and by the Companies Ordinance.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations are subject to the influence of numerous factors, which are set out below and in the section headed "Risk Factors" in this prospectus.

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Market demand in Macau

The availability of projects in Macau is highly dependent to a number of factors, such as the general economic conditions of Macau, the change in rules, regulations and government policies toward the Macau construction industry as well as the amount of investment devoted in the construction industry, which in turns will affect the demand of our services.

We provided structural works and fitting-out works services to the private sector in Macau during Track Record Period. Our project mix may be different from time to time due to the cyclical nature in construction activities as well as the changing demand of our customers. For instance, the weighting of our revenue from structural works became more significant in the year ended 31 December 2014 as many of the construction projects have been commenced in the year 2013. The change in construction activities as well as the changing demand of our customers could have impacts on the demand of our services, project mix, and hence, affected our business and results of operations.

Accuracy in the estimation of time, scope and cost involved in projects

Our revenue is recognised by the contracted value of relevant projects according to their value of works completed. By recognising our results of operations and revenue on period basis will depict fluctuations that caused by the number of projects, the contracted value, the project duration as well as the commencement period of the projects.

During Track Record Period, our revenue was derived from awarded projects through means of tender. We obtained these tenders through formal customers' invitation and public tender. To retain our competitiveness, the tender pricing is one of the key factors for success. As our tender price is based on its estimated project cost plus a mark-up margin, we have to strike a balance between a competitive tender and an adequate profit margin. In determining the tender price, our Group estimates the expenses of construction materials, collects quotations from potential suppliers and subcontractors. Our pricing is based on the quotations from suppliers and subcontractors, materials price trend, wage trend, previous tender records and awarded tender prices of similar projects. The finalised tender proposal will be dispatched to our customer within the prescribed time after approval by the management of our Group, including an executive Director and/or our commercial manager. In addition, the estimate of the time and costs involved in a fitting-out or structural works project in determining the fee is based on our Directors' experience and factors that they believe to be relevant and reasonable and there is no assurance that the actual amount of time and costs would not exceed their estimation. The actual amount of time and costs incurred in completing a project may be adversely affected by many factors, including adverse weather conditions, accidents, unforeseen site conditions, departure of key project management and supervision personnel involved, non-performance by our Group's subcontractors, and other unforeseen problems and circumstances. Any material inaccurate estimation in time and costs involved in a project may give rise to delays in completion of works and/or cost overruns, which in turn may materially and adversely affect our Group's financial condition, profitability and liquidity.

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Variation order will be issued when there is any alteration to the original scope of contracted work such as addition or cancellation of work, increase or decrease of work quantity and changes of the character of quality of material or work etc., while our customers will confirm the provisional items/optional works as specified in the construction contracts during the construction period. It could either have a positive and negative impact on time, revenue and cost incurred.

Our revenue is mainly derived from successful tenders of projects which are not recurrent in nature, and there is no guarantee that our customers will provide us with new business or that we will secure new customers

During the Track Record Period, all of our revenue was derived from projects in Macau which were awarded to us on successful tenders. Our future growth and success will depend on our ability to continue to secure tender and contract awards. In addition, our business is contract-based and on a non-recurring basis. We do not have long-term commitment with our customers and our customers may vary from year to year.

During the Track Record Period and up to the Latest Practicable Date, we secured our projects through competitive tender process. There is no guarantee that our current customers will continue to include us in the tendering process or we will be able to seek new customers, or that we will be able to secure project awards from our customers in the future. Upon the completion of our contracts on hand, our financial performance may be adversely affected if our Group is unable to secure new tenders or obtain new contract awards with comparable contract sums or at all.

Accordingly, our historical financial results during the Track Record Period should not be taken as an indication of our future performance. Prospective investors should be aware of the risk of our Group failing to secure future contracts when considering our Group's future prospects.

Collectability of trade receivables and retention receivables

Our trade receivable is recognised when we received the progress payment certificate from our customer on periodic basis. In general, a portion of approximately 10% of the progress payment will be retained each time as retention money until the total retention money has reached 5% - 10% of the total contract sum. The retention money will be released to us by two instalments. Half of the total retention money will be released on the practical completion of the whole project and the remainder will be released upon the expiry of defect liability period respectively. Any delay or failure by our customers to release the retention money in full and in due course will adversely affect on our liquidity and results of operation.

As at 31 May 2018, the trade receivables and retention receivables (net of allowance for doubtful debts) are approximately MOP34.5 million and MOP30.5 million, respectively. Any failure by the customers to make payments to our Group on time and in full will adversely affect the liquidity and financial position of our Group.

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Unpredictable fluctuation of cost of sales

There are four key components in our cost of sales. They are subcontracting charges, contra-charges, material costs and direct labour cost. During the Track Record Period, our total subcontracting charges, contra-charges, material costs and direct labour cost for each of the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 amounted to MOP450.5 million, MOP345.6 million, MOP275.1 million, MOP141.8 million and MOP65.0 million, respectively which accounted for approximately 95.6%, 99.3%, 88.0%, 104.9% and 90.2% of our cost of sales respectively. As a result, our profitability heavily depends on our ability to control and manage our subcontracting charges, contra-charges, material costs as well as direct labour cost.

Due to our business nature, we are constantly required to purchase a range of materials for our structural works and fitting-out works from our suppliers such as round reinforcing steel bars, concrete, glass, cement, plywood, tiles, carpets, wallcovering, fabrics, marbles, sanitary-ware and ironmongery. However, the prices of materials are sensitive and there is no assurance that our Group will be able to obtain sufficient quantities of materials for our projects when there is shortage in the supply of materials in the market. Also price fluctuation in the market is beyond the control of our Group. Hence, the shortage of supply of material and price fluctuation could have a material adverse effect on our Group's financial performance.

We hire subcontractors to provide various services and labour-intensive works in our projects. The appointment of subcontractor are through the means of tender and formal contractual agreement. Any failure of a subcontractor to provide its service may lead to delays or damages and penalties claims by our customers. There are no guarantees that any failure by our subcontractors to deliver their service will not adversely affect our Group's financial performance, despite of our subcontractors' ability to deliver services in a timely, reliable and satisfactory manner.

SIGNIFICANT ACCOUNTING POLICIES

The discussion and analysis of our Group's financial position and results of operations are based on the consolidated financial statements prepared in accordance with the significant accounting policies set forth in Note 4 of the Accountants' Report as set out in Appendix I to this prospectus, which conform with IFRS.

Our management has identified certain accounting policies that are significant to the presentation of our financial results and positions, which are set out below:

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which our Group expects to be entitled in exchange for those goods or services. Specifically, our Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract

FINANCIAL INFORMATION

- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Our Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to customers.

Control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by the entity’s performance as the entity performs;
- our Group’s performance creates and enhances an asset that the customer controls as our Group performs; or
- our Group’s performance does not create an asset with an alternative use to our Group and our Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Revenue is measured based on the consideration specified in a contract with a customer. Our Group recognises revenue when it transfers control of a product or service to a customer. Our Group’s major source of revenue is its revenue from construction contracts for provision of structural works and fitting-out works.

Provision of structural works and fitting-out works

Recognition

Our Group provides structural works and fitting-out works based on contracts entered with customers. Such contracts are entered into before the services begin. Under the terms of the contracts, the structural works and fitting-out works performed by our Group creates or enhances a property that the customers controls as the property is created or enhanced. Revenue from provision of structural works and fitting-out works is therefore recognised over time using output method, i.e. based on surveys of structural works and fitting-out works completed by our Group to date with reference to payment certificates issued by architects, surveyors or other representatives appointed by the customer. The directors of our Company consider that output method would faithfully depict our Group’s performance towards complete satisfaction of these performance obligations under IFRS 15 “Revenue from Contracts with Customers”.

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For contracts that contain variable consideration (i.e. variation order), our Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which our Group will be entitled.

The estimated amount of variable consideration is included in the transaction price 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, our 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 change in circumstances during the reporting period.

For warranty embedded to the construction contracts, our Group accounts for the warranty in accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets” unless the warranty provides the customer with a service in addition to the assurance that the contracting work complies with the agreed-upon specifications.

If at any time the unavoidable costs of meeting contractual obligations are estimated to exceed the remaining amount of the economic benefits expected to be received under the contract, then a provision is recognised in accordance with policy set out in “Onerous contracts” below.

Contract assets or liabilities

A contract asset represents our Group’s right to consideration in exchange for services that our Group has transferred to a customer that is not yet unconditional. In contract, a receivable represents our Groups’ unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents our Group’s obligation to transfer services to a customer for which our Group has received consideration (or an amount of consideration is due) from the customer.

Contract asset is recognised when (i) our Group completes the structural works and fitting-out work under such services contracts but yet certified by architects, surveyors or other representatives appointed by customers, or (ii) our customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the output method then our Group recognises a contract liability for the difference.

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Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

- (a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- (b) the costs generate or enhance resources of the entity 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 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 cost relate. The cost is subject to impairment review.

Other income

Our Group also has the following sources of major other income.

Consultancy fee income is recognised at a point when consultancy services have been provided and our Group has a present right to payment for the services.

Income from scrap material sales is recognised when control of the scrap materials has been transferred to the customers being at the point the scrap materials are delivered to the customers and is presented net of the cost of the material.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to our Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on tangible assets

At the end of each reporting period, our Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, our Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Provisions

Provisions are recognised when our Group has a present obligation (legal or constructive) as a result of a past event, it is probable that our Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

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When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where our 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.

KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of our Group's accounting policies, which are described in Note 4 of the Accountants' Report as set out in Appendix I to this prospectus, the management of our Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimation uncertainty on construction contracts

Our Group reviews and revises the estimates of contract revenue, contract costs, variations in contract work, claims and incentive payments prepared for each construction contract as the contract progresses. Budgeted contract costs are prepared by our management on the basis of quotations from time to time provided by our major subcontractors, suppliers or vendors involved and the experience of our management. In order to keep our budget accurate and up-to-date, our management conducts periodic reviews on our budgets by comparing the budgeted amounts to the actual amounts incurred.

Recognised amounts of contract revenue and related contract assets and receivables reflect management's best estimate of each contract's outcome and value of works completed, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each reporting period, which would affect the revenue and profit or loss recognised in the future years as an adjustment to the amounts recorded to date.

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Estimated impairment of trade receivables and contract assets

Prior to the adoption of IFRS 9 on 1 January 2018, our management assesses at the end of each reporting period whether there is any objective evidence that trade receivables and contract assets are impaired. The provision policy for bad and doubtful debts of our Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of trade receivables and contract assets, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of our Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

As at 31 December 2014, 2015, 2016 and 2017, the carrying amounts of trade receivables and contract assets were approximately MOP81.1 million, MOP87.0 million, MOP85.2 million and MOP72.5 million (net of allowance for doubtful debts of approximately MOP13.2 million, MOP13.2 million, MOP3.2 million and MOP0.5 million, respectively).

Since the adoption of IFRS 9 on 1 January 2018, the management estimates the amount of impairment loss for expected credit losses ("ECL") on trade receivables and contract assets based on the credit risk of trade receivables and contract assets. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to our Group in accordance with the contract and all the cash flows that our Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 May 2018, the carrying amount of trade receivables and contract assets was approximately MOP66.2 million (net of allowance for doubtful debts of approximately MOP0.5 million).

EFFECT ON THE NEW AMENDMENTS TO IFRS TO OUR GROUP

For the purpose of preparing and presenting the historical financial information for the Track Record Period, our Group has consistently applied the accounting policies which conform with IFRSs, International Accounting Standards ("IASs"), amendments and the related interpretations ("IFRICs") issued by the International Accounting Standards Board (the "IASB") which are effective for the accounting periods beginning on 1 January 2018 throughout the Track Record Period, except that our Group adopted IFRS 9 "Financial Instruments" on 1 January 2018 and applied IAS 39 "Financial Instruments: Recognition and Measurement" for the four years ended 31 December 2017. The accounting policies for financial instruments under IFRS 9 are set forth in Note 4 of the Accountants' Report as set out in Appendix I to this prospectus.

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Our Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

For further information regarding the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018, please refer to Note 3 of the Accountants' Report as set out in Appendix I to this prospectus.

Our Group and our Company have not recognised additional impairment loss allowance upon the initial recognition of IFRS 9 on 1 January 2018 as the amounts involved are insignificant.

The adoption of IFRS9 and IFRS15 for the preparation of the Accountants' Report has no significant impact on the financial position and performance of our Group when compared to the requirements of IAS 18 and IAS 39.

At the date of this report, IASB has issued the following new and revised IFRSs that are not yet effective. Our Group has not early adopted these new and revised IFRSs.

IFRS 16	Leases ¹
IFRS 17	Insurance Contracts ³
IFRIC 23	Uncertainty over Income Tax Treatments ¹
Amendments to IFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2021

The management of our Group anticipates that the application of the new and amendments to standards will have no material impact on the financial statements of our Group in the future.

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RESULTS OF OPERATIONS

The following table sets forth our consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 which have been extracted from the Accountants' Report as set out in Appendix I to this prospectus:

	Year ended 31 December				Five months ended 31 May	
	2014	2015	2016	2017	2017	2018
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
	<i>(unaudited)</i>					
Revenue	524,729	399,079	371,255	185,201	72,075	96,118
Cost of sales	(471,316)	(348,063)	(312,551)	(135,205)	(58,163)	(72,055)
Gross profit	53,413	51,016	58,704	49,996	13,912	24,063
Other income	25,792	23,018	23,637	13,945	10,737	683
Other losses	(1,126)	(686)	(400)	(113)	(20)	(69)
Allowance for doubtful debts	—	—	(3,170)	—	—	—
Reversal of allowance for doubtful debts	—	—	5,750	2,637	—	—
Administrative expenses	(17,857)	(13,153)	(14,077)	(14,990)	(6,296)	(6,427)
Listing expenses	—	—	(3,045)	(10,196)	(4,394)	(1,817)
Finance costs	(4,038)	(1,426)	(1,122)	(706)	(321)	—
Share of profit of a joint venture	2,535	622	167	—	—	—
Profit before taxation	58,719	59,391	66,444	40,573	13,618	16,433
Income tax expense	(4,869)	(5,505)	(6,178)	(4,772)	(1,235)	(2,009)
Profit for the year/period	<u>53,850</u>	<u>53,886</u>	<u>60,266</u>	<u>35,801</u>	<u>12,383</u>	<u>14,424</u>
Profit for the year/period (excluding imputed interest income and listing expenses)	<u>36,384</u>	<u>34,239</u>	<u>41,845</u>	<u>34,530</u>	<u>7,257</u>	<u>16,241</u>

Note: The imputed interest income was only an accounting income under the IFRS and there was no actual cash inflow. Listing expenses are non-recurring.

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Profit for the year/period (excluding imputed interest income and listing expenses) can be reconciled as follows:

	Year ended 31 December				Five months ended 31 May	
	2014	2015	2016	2017	2017	2018
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Profit for the year/period	53,850	53,886	60,266	35,801	12,383	14,424
Imputed interest income	(17,466)	(19,647)	(21,466)	(11,467)	(9,520)	—
Listing expenses	—	—	3,045	10,196	4,394	1,817
Profit for the year/period (excluding imputed interest income and listing expenses)	<u>36,384</u>	<u>34,239</u>	<u>41,845</u>	<u>34,530</u>	<u>7,257</u>	<u>16,241</u>

PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

Our Group's revenue is derived mainly from our service of structural works and fitting-out works in Macau. The following table sets forth a breakdown for our revenue by types of construction works during Track Record Period:

	Year ended 31 December				Five months ended 31 May							
	2014	2015	2016	2017	2017	2018						
	<i>MOP'000</i>	% <i>MOP'000</i>	% <i>MOP'000</i>	% <i>MOP'000</i>	% <i>MOP'000</i>	% <i>MOP'000</i>	%	%				
Types of construction works:												
Structural works <i>(Note)</i>	439,477	83.8	199,878	50.1	131,592	35.4	21,402	11.6	—	—	22,028	22.9
Fitting-out works	<u>85,252</u>	<u>16.2</u>	<u>199,201</u>	<u>49.9</u>	<u>239,663</u>	<u>64.6</u>	<u>163,799</u>	<u>88.4</u>	<u>72,075</u>	<u>100.0</u>	<u>74,090</u>	<u>77.1</u>
Total	<u>524,729</u>	<u>100.0</u>	<u>399,079</u>	<u>100.0</u>	<u>371,255</u>	<u>100.0</u>	<u>185,201</u>	<u>100.0</u>	<u>72,075</u>	<u>100.0</u>	<u>96,118</u>	<u>100.0</u>

Note: During the Track Record Period, we had three substructure works projects with recognised revenue of approximately MOP28.1 million, MOP1.6 million, MOP1.9 million, MOP1.5 million and MOP10.1 million for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 respectively, and the remaining structural works were superstructure works.

Revenue from structural works took up about 83.8% of our total revenue for the year ended 31 December 2014. The revenue from structural works became less significant in the three years ended 31 December 2015, 2016 and 2017 as the structural works of our projects had substantially carried out in 2014, and most structural works in hotel and casino sector had reached their final stage and moved to the next phase of construction which is the fitting-out works in 2015, 2016 and 2017. Revenue generated from structural works projects increased for the five months ended 31 May 2018 was mainly

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because several structural works projects have been awarded since late 2017 and undertaken by our Group during the period while no structural works projects were undertaken during the corresponding period in 2017. For the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, the revenue from structural works are MOP439.5 million, MOP199.9 million, MOP131.6 million, MOP21.4 million and MOP22.0 million, representing approximately 83.8%, 50.1%, 35.4%, 11.6% and 22.9% of our total revenue, respectively. The revenue from fitting-out works for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 are MOP85.2 million, MOP199.2 million, MOP239.7 million, MOP163.8 million and MOP74.1 million, representing approximately 16.2%, 49.9%, 64.6%, 88.4% and 77.1% of our total revenue, respectively.

In addition, the following table sets forth a breakdown for our revenue by the nature of the building for our projects during the Track Record Period:

	Year ended 31 December								Five months ended 31 May			
	2014		2015		2016		2017		2017		2018	
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	<i>(unaudited)</i>											
Nature of building:												
Commercial	524,729	100.0	348,513	87.3	363,312	97.9	179,398	96.9	72,075	100.0	77,062	80.2
Non-commercial	—	—	50,566	12.7	7,943	2.1	5,803	3.1	—	—	19,056	19.8
Total	<u>524,729</u>	<u>100.0</u>	<u>399,079</u>	<u>100.0</u>	<u>371,255</u>	<u>100.0</u>	<u>185,201</u>	<u>100.0</u>	<u>72,075</u>	<u>100.0</u>	<u>96,118</u>	<u>100.0</u>

Revenue derived from non-commercial sector for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 was nil, approximately MOP50.6 million, MOP7.9 million, MOP5.8 million and MOP19.1 million, representing nil, approximately 12.7%, 2.1%, 3.1% and 19.8% of our total revenue, respectively. Revenue derived from commercial building for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 was approximately MOP524.7 million, MOP348.5 million, MOP363.3 million, MOP179.4 million and MOP77.1 million, representing approximately 100.0%, 87.3%, 97.9%, 96.9% and 80.2% of our total revenue. Revenue from commercial building was the major source of our total revenue during the Track Record Period.

Our Group's revenue is recognised over time using output method which is based on surveys of structural works and fitting-out works completed by our Group to date with reference to payment certificates issued by architects, surveyors or other representatives appointed by the customer. Estimated project value is calculated based on estimates from our management by reference to the original contract sum and variation orders.

Variation order will be issued when there is any alteration to the original scope of contracted work such as addition or cancellation of work, increase or decrease of work quantity and changes of the character of quality of material or work etc., while our customers will confirm the provisional items/optional works as specified in the construction contracts during the construction period. It could either have a positive and negative impact on time, revenue and cost incurred.

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Cost of sales

Our cost of sales represents costs and expenses directly attributable to our revenue generating activities and are recognised with reference to the value of works completed of each contract, which is, in turn, measured by the value of work certified during the relevant year. Our cost of sales primarily consists of subcontracting charges, contra-charges, material cost and direct labour cost.

The following table sets forth a breakdown for our cost of sales by types of construction works during the Track Record Period:

	Year ended 31 December								Five months ended 31 May			
	2014		2015		2016		2017		2017		2018	
Type of construction works:	MOP'000	% MOP'000	MOP'000	% MOP'000	MOP'000	% MOP'000	MOP'000	% MOP'000	MOP'000	% MOP'000	MOP'000	% MOP'000
Structural works	396,228	84.1	167,129	48.0	97,120	31.1	12,834	9.5	—	—	15,061	20.9
Fitting-out works	75,088	15.9	180,934	52.0	215,431	68.9	122,371	90.5	58,163	100.0	56,994	79.1
Total	<u>471,316</u>	<u>100.0</u>	<u>348,063</u>	<u>100.0</u>	<u>312,551</u>	<u>100.0</u>	<u>135,205</u>	<u>100.0</u>	<u>58,163</u>	<u>100.0</u>	<u>72,055</u>	<u>100.0</u>

The following table sets forth a breakdown for our cost of sales during the Track Record Period:

	Year ended 31 December								Five months ended 31 May			
	2014		2015		2016		2017		2017		2018	
	MOP'000	% MOP'000	MOP'000	% MOP'000	MOP'000	% MOP'000	MOP'000	% MOP'000	MOP'000	% MOP'000	MOP'000	% MOP'000
Subcontracting charges	247,841	52.6	206,623	59.4	188,553	60.3	80,152	59.3	20,648	35.5	34,217	47.5
Contra-charges	158,692	33.7	86,556	24.9	40,925	13.1	13,643	10.1	1,923	3.3	9,972	13.8
Materials	23,522	5.0	30,408	8.7	23,885	7.6	15,836	11.7	1,840	3.2	6,786	9.4
Direct labour cost	20,438	4.3	21,987	6.3	21,733	7.0	32,136	23.8	9,233	15.9	14,036	19.5
Overheads	3,131	0.6	3,239	0.9	2,050	0.7	2,655	1.9	959	1.6	1,039	1.5
Others	17,692	3.8	(750)	(0.2)	35,405	11.3	(9,217)	(6.8)	23,560	40.5	6,005	8.3
Cost of sales	<u>471,316</u>	<u>100.0</u>	<u>348,063</u>	<u>100.0</u>	<u>312,551</u>	<u>100.0</u>	<u>135,205</u>	<u>100.0</u>	<u>58,163</u>	<u>100.0</u>	<u>72,055</u>	<u>100.0</u>

Subcontracting charges represents costs incurred for subcontractors to provide various services and certain labour-intensive works in our projects. For the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, our Group's subcontracting charges amounted to approximately MOP247.8 million, MOP206.6 million, MOP188.6 million, MOP80.2 million and MOP34.2 million, respectively, representing approximately 52.6%, 59.4%, 60.3%, 59.3% and 47.5% of our Group's total cost of sales for the corresponding years/period respectively.

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The following sensitivity analysis illustrates the impacts of hypothetical fluctuations of our subcontracting charges on our profit before tax during the Track Record Period, assuming all other variables, including our revenue, remain constant. The fluctuations of these costs are assumed to be 9% and 57% which are determined with reference to the historical fluctuations in our subcontracting charges during the Track Record Period.

Hypothetical fluctuations of our subcontracting charges included in our total cost of sales

	+9%	+57%	-9%	-57%
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Change in profit before tax				
For the year ended 31 December 2014	-22,306	-141,269	+22,306	+141,269
For the year ended 31 December 2015	-18,596	-117,775	+18,596	+117,775
For the year ended 31 December 2016	-16,970	-107,475	+16,970	+107,475
For the year ended 31 December 2017	-7,214	-45,687	+7,214	+45,687
For the five months ended 31 May 2018	-3,080	-19,504	+3,080	+19,504
Change in profit after tax ^(Note)				
For the year ended 31 December 2014	-19,629	-124,317	+19,629	+124,317
For the year ended 31 December 2015	-16,365	-103,642	+16,365	+103,642
For the year ended 31 December 2016	-14,933	-94,578	+14,933	+94,578
For the year ended 31 December 2017	-6,348	-40,204	+6,348	+40,204
For the five months ended 31 May 2018	-2,710	-17,163	+2,710	+17,163

Note: The Macau Complementary Tax rate of 12.0% is applied for the illustration of increase or decrease in profit for the years/period.

Contra-charges represent the charges for the purchase cost of construction materials and other construction overhead costs. For the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, our Group's contra-charges amounted to approximately MOP158.7 million, MOP86.6 million, MOP40.9 million, MOP13.6 million and MOP10.0 million, respectively, representing approximately 33.7%, 24.9%, 13.1%, 10.1% and 13.8% of our Group's total cost of sales for the corresponding years/period respectively.

The following sensitivity analysis illustrates the impacts of hypothetical fluctuations of our contra-charges on our profit before tax during the Track Record Period, assuming all other variables, including our revenue, remain constant. The fluctuations of these cost are assumed to be 45% and 67% which are determined with reference to the historical fluctuations in our contra-charges during the Track Record Period.

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Hypothetical fluctuations of our contra-charges included in our total cost of sales

	+45%	+67%	-45%	-67%
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Change in profit before tax				
For the year ended 31 December 2014	-71,411	-106,323	+71,411	+106,323
For the year ended 31 December 2015	-38,950	-57,993	+38,950	+57,993
For the year ended 31 December 2016	-18,416	-27,419	+18,416	+27,419
For the year ended 31 December 2017	-6,139	-9,141	+6,139	+9,141
For the five months ended 31 May 2018	-4,487	-6,681	+4,487	+6,681
Change in profit after tax <i>(Note)</i>				
For the year ended 31 December 2014	-62,842	-93,565	+62,842	+93,565
For the year ended 31 December 2015	-34,276	-51,033	+34,276	+51,033
For the year ended 31 December 2016	-16,206	-24,129	+16,206	+24,129
For the year ended 31 December 2017	-5,402	-8,044	+5,402	+8,044
For the five months ended 31 May 2018	-3,949	-5,880	+3,949	+5,880

Note: The Macau Complementary Tax rate of 12.0% is applied for the illustration of increase or decrease in profit for the years/period.

Materials costs mainly represent cost of materials consumed in our projects. The major construction materials used for our structural works projects or fitting-out works projects, including round reinforcing steel bars, concrete, glass, cement, plywood, tiles, carpets, wallcovering, fabrics, marbles, sanitary-ware and ironmongery. For the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, our Group's material costs amounted to approximately MOP23.5 million, MOP30.4 million, MOP23.9 million, MOP15.8 million and MOP6.8 million, respectively, representing approximately 5.0%, 8.7%, 7.6%, 11.7% and 9.4% of our Group's total cost of sales for the corresponding years/period respectively.

As our project managers oversaw the progress of the projects, it was the responsibility of our project managers to ensure the supply of materials was able to meet our projects' requirement. We generally did not stock up any excess inventory of materials as there was limited storage in the project site. Materials are usually delivered to our project site directly from our suppliers for immediate consumption, hence the uninstalled materials on our projects site as at the end of each reporting period were minimal. Therefore, the financial impact of the uninstalled materials in the application of IFRS 15 was considered to insignificant.

The following sensitivity analysis illustrates the impacts of hypothetical fluctuations of our material costs on our profit before tax during the Track Record Period, assuming all other variables, including our revenue, remain constant. The fluctuations of these cost are assumed to be 21% and 34% which are determined with reference to the historical fluctuations in our material costs during the Track Record Period.

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Hypothetical fluctuations of our material costs included in our total cost of sales

	+21%	+34%	-21%	-34%
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Change in profit before tax				
For the year ended 31 December 2014	-4,940	-7,998	+4,940	+7,998
For the year ended 31 December 2015	-6,386	-10,339	+6,386	+10,339
For the year ended 31 December 2016	-5,016	-8,121	+5,016	+8,121
For the year ended 31 December 2017	-3,326	-5,384	+3,326	+5,384
For the five months ended 31 May 2018	-1,425	-2,307	+1,425	+2,307
Change in profit after tax <i>(Note)</i>				
For the year ended 31 December 2014	-4,347	-7,038	+4,347	+7,038
For the year ended 31 December 2015	-5,619	-9,098	+5,619	+9,098
For the year ended 31 December 2016	-4,414	-7,147	+4,414	+7,147
For the year ended 31 December 2017	-2,926	-4,738	+2,926	+4,738
For the five months ended 31 May 2018	-1,254	-2,030	+1,254	+2,030

Note: The Macau Complementary Tax rate of 12.0% is applied for the illustration of increase or decrease in profit for the years/period.

Direct labour costs represent salaries, wages and bonus paid/payable to our staffs who participate in our projects directly. For the years ended 31 December 2014, 2015, 2016 and 2017 and the five months end 31 May 2018, our Group's direct labour costs amounted to approximately MOP20.4 million, MOP22.0 million, MOP21.7 million, MOP32.1 million and MOP14.0 million, respectively, representing approximately 4.3%, 6.3%, 7.0%, 23.8% and 19.5% of our Group's total cost of sales for the corresponding years/period respectively.

The following sensitivity analysis illustrates the impacts of hypothetical fluctuations of our direct labour cost on our profit before tax during the Track Record Period, assuming all other variables, including our revenue, remain constant. The fluctuations of these cost are assumed to be 1% and 48% which are determined with reference to the historical fluctuations in our direct labour costs during the Track Record Period.

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Hypothetical fluctuations of our direct labour cost included in our total cost of sales

	+1%	+48%	-1%	-48%
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Change in profit before tax				
For the year ended 31 December 2014	-204	-9,810	+204	+9,810
For the year ended 31 December 2015	-220	-10,554	+220	+10,554
For the year ended 31 December 2016	-217	-10,432	+217	+10,432
For the year ended 31 December 2017	-321	-15,425	+321	+15,425
For the five months ended 31 May 2018	-140	-6,737	+140	+6,737
Change in profit after tax <i>(Note)</i>				
For the year ended 31 December 2014	-180	-8,633	+180	+8,633
For the year ended 31 December 2015	-193	-9,287	+193	+9,287
For the year ended 31 December 2016	-191	-9,180	+191	+9,180
For the year ended 31 December 2017	-283	-13,574	+283	+13,574
For the five months ended 31 May 2018	-124	-5,929	+124	+5,929

Note: The Macau Complementary Tax rate of 12.0% is applied for the illustration of increase or decrease in profit for the years/period.

Overheads represents miscellaneous expenses such as utilities expenses, insurance fee, printing & stationary fee and bank charges etc.

Others mainly include (i) under or over provision of accrued contract costs, which may vary from period to period and with reference to the value of the work completed based on total transaction price and total budgeted costs, and (ii) unavoidable cost incurred for meeting the obligations under loss making projects.

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Gross profit and gross profit margin

The tables set forth a breakdown of our gross profit and gross profit margin by types of construction works and nature of buildings during the Track Record Period:

	Year ended 31 December								Five months ended 31 May			
	2014		2015		2016		2017		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross Profit	Gross profit margin
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	<i>(unaudited)</i>											
Types of construction works:												
Structural works	43,249	9.8	32,749	16.4	34,472	26.2	8,568	40.0	—	—	6,967	31.6
Fitting-out works	10,164	11.9	18,267	9.2	24,232	10.1	41,428	25.3	13,912	19.3	17,096	23.1
Total:	<u>53,413</u>	10.2	<u>51,016</u>	12.8	<u>58,704</u>	15.8	<u>49,996</u>	27.0	<u>13,912</u>	19.3	<u>24,063</u>	25.0

	Year ended 31 December								Five months ended 31 May			
	2014		2015		2016		2017		2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%	MOP'000	%
	<i>(unaudited)</i>											
Nature of building:												
Commercial	53,413	10.2	39,944	11.5	55,310	15.2	49,599	27.6	13,912	19.3	20,950	27.2
Non-commercial	—	—	11,072	21.9	3,394	42.7	397	6.8	—	—	3,113	16.3
Total	<u>53,413</u>	10.2	<u>51,016</u>	12.8	<u>58,704</u>	15.8	<u>49,996</u>	27.0	<u>13,912</u>	19.3	<u>24,063</u>	25.0

Our gross profit was approximately MOP53.4 million, MOP51.0 million, MOP58.7 million, MOP50.0 million and MOP24.1 million for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 respectively, while our gross profit margin was approximately 10.2%, 12.8%, 15.8%, 27.0% and 25.0%, respectively. The reason for higher gross profit margin from non-commercial sector than the gross profit margin from commercial sector for the years ended 31 December 2015 and 2016 was that, as the main contractor of the non-commercial project, we managed to control the project cost more efficiently with better labour allocation plan and streamlining the project works. For the year ended 31 December 2017 and the five months ended 31 May 2018, the gross profit margin from commercial sector was higher than that from the non-commercial sector because most of our commercial projects were substantially completed during the year ended 31 December 2017 and the five months ended 31 May 2018, additional profits were recognised based on the concluded variation orders claims and final accounts. As a matter of fact there are number of factors which affect the gross profit and gross profit margin such as the size and type of project, the duration of project, the complexity of project, the cost of material used in project and the number of

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variation orders in project and the change of design requested by customers. These factors might vary from project to project all the time. For the explanation on the fluctuation of gross profit and gross profit margin, please refer to the paragraph headed “Period to period comparison of results of operations” in this section.

During the Track Record Period, we had four fitting-out works projects recorded in loss. The aggregate amount of losses during the Track Record Period is approximately MOP6.3 million and is mainly attributable to cost overrun which caused by the unexpected complexities during project implementation. Such losses were provided for and recognised immediately to the relevant periods which is in line with our accounting policies of “Provision of structural works and fitting-out works”. Save as disclosed above, our Group have no other loss-making project during the Track Record Period.

Our Group has implemented internal control procedures to monitor project status to avoid further cost overruns and project delays. Our commercial manager prepared a project budget to summarise the costs for each construction project. The project budget has been revised and approved by our executive Directors periodically and regularly. Besides, we have enhanced our internal control by not only reviewing the project budget from time to time, but also closely monitoring it by having project meetings. Our project team will identify any site event which indicates a delay on our schedule / extra cost incurred, and will seek possible remedial actions such as, allocating more manpower. With such measure, our Group will be able to minimise the potential risk which might lead to the loss incurred in the project.

Other income

Other income mainly consists of project consultancy fee income, income from scrap material sales, imputed interest income from amounts due from a director and a related company, and bank interest income. Project consultancy fee income refers to the provision of advisory service in relation to the tender preparation, human resource arrangement as well as project execution etc.

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The following table sets forth a breakdown of our other income for the Track Record Period:

	Year ended 31 December				Five months ended 31 May	
	2014	2015	2016	2017	2017	2018
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
					<i>(unaudited)</i>	
Consultancy fee income	2,859	1,702	944	—	—	—
Income from scrap material sales	3,026	220	33	15	15	—
Imputed interest income	17,466	19,647	21,466	11,467	9,520	—
Bank interest income	2,247	1,407	1,054	1,847	760	565
Others	<u>194</u>	<u>42</u>	<u>140</u>	<u>616</u>	<u>442</u>	<u>118</u>
	<u>25,792</u>	<u>23,018</u>	<u>23,637</u>	<u>13,945</u>	<u>10,737</u>	<u>683</u>

Other losses

Other losses mainly consists of net exchange loss and loss on disposal/written off of property, plant and equipment.

The following table sets forth a breakdown of our other gains or losses for the Track Record Period:

	Year ended 31 December				Five months ended 31 May	
	2014	2015	2016	2017	2017	2018
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
					<i>(unaudited)</i>	
Net exchange loss	1,126	686	181	113	20	69
Loss on disposal/written off of property, plant and equipment	<u>—</u>	<u>—</u>	<u>219</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>1,126</u>	<u>686</u>	<u>400</u>	<u>113</u>	<u>20</u>	<u>69</u>

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Administrative expenses

The following table sets forth a breakdown of our administrative expenses for the Track Record Period:

	Year ended 31 December				Five months ended 31 May	
	2014	2015	2016	2017	2017	2018
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
					<i>(unaudited)</i>	
Bank charges	424	222	184	253	73	92
Depreciation	301	332	259	1,512	626	654
Entertainment	986	1,195	1,018	1,216	433	246
Professional fees	447	489	701	548	938	816
Property management fees	441	249	193	193	80	80
Rental expenses	842	982	1,010	168	70	70
Staff costs	12,821	8,125	9,350	9,976	3,621	3,983
Others	<u>1,595</u>	<u>1,559</u>	<u>1,362</u>	<u>1,124</u>	<u>455</u>	<u>486</u>
	<u>17,857</u>	<u>13,153</u>	<u>14,077</u>	<u>14,990</u>	<u>6,296</u>	<u>6,427</u>

Listing expenses

The following table sets forth a breakdown of our listing expenses for the Track Record Period:

	Year ended 31 December				Five months ended 31 May	
	2014	2015	2016	2017	2017	2018
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
					<i>(unaudited)</i>	
Listing expenses	<u>—</u>	<u>—</u>	<u>3,045</u>	<u>10,196</u>	<u>4,394</u>	<u>1,817</u>

Our Directors estimate that the total estimated listing expenses in connection with the Global Offering are approximately MOP39.8 million (equivalent to approximately HK\$38.6 million), based on the mid-point of the Offer Price of HK\$0.65 per Offer Share and assuming no Over-allotment Option will be exercised, of which approximately MOP3.0 million (equivalent to approximately HK\$ 2.9 million), MOP10.2 million (equivalent to approximately HK\$9.9 million) and MOP1.8 million (equivalent to approximately HK\$1.7 million) have been charged to our consolidated statements of profit or loss and other comprehensive income for the years ended 31 December 2016, 2017 and the five months ended 31 May 2018 respectively, and approximately MOP10.1 million (equivalent to

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approximately HK\$9.8 million) is expected to be further charged to our consolidated statement of profit or loss and other comprehensive income for the year ending 31 December 2018, and approximately MOP14.7 million (equivalent to approximately HK\$14.3 million) is expected to be accounted for as a deduction from equity upon the Listing.

Finance costs

Finance costs mainly represent interest on bank borrowings and overdrafts. For the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, our finance costs amounted to approximately MOP4.0 million, MOP1.4 million, MOP1.1 million, MOP0.7 million and less than MOP100, respectively.

Income tax

Our Company and its subsidiaries were incorporated in different jurisdictions, with different taxation requirements. Our Group is subject to income tax levied on an individual legal entity basis on profits arising in or deriving from the tax jurisdictions in which our companies are domiciled or operate and they are illustrated as follows:

Cayman Islands profit tax

Our Company is not subject to any income tax in accordance with the rules and regulations of Cayman Islands.

British Virgin Island profits tax

Our Group is not subject to any income tax in accordance with the rules and regulations of British Virgin Island.

Hong Kong profits tax

No tax provision has been made during the Track Record Period as our Group did not have any assessable profit subject to Hong Kong tax.

Macau complementary tax

Macau complementary tax is calculated at the rate of 12% of the estimated assessable profits exceeding MOP600,000 for the Track Record Period.

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The income tax expense for the Track Record Period can be reconciled to the profit before taxation in the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December				Five months ended 31 May	
	2014	2015	2016	2017	2017	2018
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
	<i>(unaudited)</i>					
Profit before taxation	<u>58,719</u>	<u>59,391</u>	<u>66,444</u>	<u>40,573</u>	<u>13,618</u>	<u>16,433</u>
Tax at applicable statutory tax rate of 12%	7,046	7,127	7,973	4,869	1,634	1,972
Tax effect of expenses not deductible for tax purpose	295	882	873	1,537	773	266
Tax effect of income not taxable for tax purpose	(2,096)	(2,357)	(2,576)	(1,562)	(1,142)	(199)
Tax effect of share of profit of a joint venture	(304)	(75)	(20)	—	—	—
Tax effect of tax exemption under Macau Complementary Tax	<u>(72)</u>	<u>(72)</u>	<u>(72)</u>	<u>(72)</u>	<u>(30)</u>	<u>(30)</u>
Income tax expense for the year/period	<u>4,869</u>	<u>5,505</u>	<u>6,178</u>	<u>4,772</u>	<u>1,235</u>	<u>2,009</u>
Effective tax rate (<i>Note</i>)	8.3%	9.3%	9.3%	11.8%	9.1%	12.2%

Note: The effective tax rate is calculated by dividing the income tax expense for each reporting period by the profit before taxation for each reporting period and multiplying the resulting value by 100%.

The effective tax rate was approximately 8.3%, 9.3%, 9.3%, 11.8% and 12.2% for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, respectively. As compared to the Macau complementary tax rate of 12%, the lower effective tax rate for the years ended 31 December 2014, 2015, 2016 and 2017 is mainly due to the non-taxable imputed interest income, and the higher effective tax rate for the five months ended 31 May 2018 is mainly due to the non-deductible listing expenses.

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TAX RE-FILING

SFS Construction Macau, our operating subsidiary, had filed the Macau Complementary Income Tax Returns (the “**First CT Returns**”) under Group A taxpayer category with the Financial Services Bureau of the Macau Government (the “**Macau Financial Services Bureau**”) for the financial years ended 31 December 2012 to 2015 (the “**Relevant Period**”). At the material times, SFS Construction Macau engaged an independent local accounting firm (“**Local Accountant**”) to prepare the financial statements and file the First CT Returns for the Relevant Period. SFS Construction Macau had paid Macau Complementary Income Tax for the amounts of nil, approximately MOP0.4 million, MOP4.0 million and MOP2.8 million for the Relevant Period, respectively, on a timely basis.

In preparation of the Listing, our Company has appointed the Reporting Accountants to audit the consolidated financial statements of our Group for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 based on IFRS. Accounting adjustments were made by the Company for the purpose to reconcile the financial statements in accordance with the IFRS. Such accounting adjustments include:

- (i) adjustments to recognise revenue and direct costs, including the corresponding retention monies, of all projects undertaken by SFS Construction Macau during the relevant financial years according to the percentage of completion method in accordance with the International Accounting Standards (“**IAS**”) (i.e. recognised with reference to certified work performed by our Group), which increased the taxable profits for the years ended 31 December 2012, 2013, 2014 and 2015 by approximately MOP23.26 million, MOP1.21 million, MOP9.57 million and MOP17.62 million, respectively, due to the increase in our revenue for the years ended 31 December 2012, 2013, 2014 and 2015 by approximately MOP37.45 million, MOP17.09 million, MOP175.85 million and MOP86.57 million, respectively, and the increase in our cost of sales for the years ended 31 December 2012, 2013, 2014 and 2015 by approximately MOP14.19 million, MOP15.88 million, MOP166.28 million and MOP68.96 million, respectively; and
- (ii) adjustments on accrual basis and reclassification to be in line with IFRS, including (a) adjustments on accrual basis and rectification of cut off errors such as costs of consumables, finance costs, rental expenses, (b) adjustments on depreciation expense on property, plant and equipment, (c) adjustments on staff costs for provisions on staff bonus, (d) adjustments on recognition of exchange differences arising on re-translation of financial assets and liabilities denominated in currencies other than the functional currency (i.e. MOP) and (e) adjustment on recognition of loss on disposal of an investment in subsidiary in the year of 2012 and 2013. As a result of such adjustments, the taxable profits for the years ended 31 December 2012, 2014 and 2015 would be reduced by approximately MOP4.66 million, MOP3.92 million and MOP2.26 million, respectively, and the taxable profits for the year ended 31 December 2013 would be increased by approximately MOP1.00 million.

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In the opinion of our Directors, the abovementioned adjustments, which caused a variance in the accounting profit/loss in the First CT Returns for the Relevant Period, were due to the timing differences on the recognition of revenue and cost of sales arising from the application of recognising the percentage of completion in accordance with IAS and the proper accrual basis as described above. Nevertheless, with a view to reconciling the financial statements for tax reporting for the Relevant Period in accordance with IFRS, SFS Construction Macau engaged an international accounting firm as the new tax representative (the “**New Tax Representative**”) to assist on the matter.

Since the accounting treatment adopted by the Local Accountant in preparing the tax computations and First CT Returns previously submitted is different from that of the IFRS, the accounting adjustments as described above resulted in the under-provision of the relevant tax throughout the entire Relevant Period. Under the IFRS, revenue is recognised when work is done, while revenue recognised under the previous accounting treatment was based on receipts from its customers and the costs of sales and other expenses were recognised from those billings and invoices received from its subcontractors or suppliers. For the preparation of the Listing, our Company has engaged the Reporting Accountants and has then followed the accounting treatment under the IFRS. The management accounts for the year ended 31 December 2016 has already been prepared under the IFRS and the necessary adjustments has been reflected in the audited financial statements before the filing of the complementary income tax return for year 2016 in June 2017. Therefore, the complementary income tax return for the year ended 31 December 2016 has been filed properly according to the audited financial statements after adjustments has been made and no further adjustments are required. With the assistance of the New Tax Representative, SFS Construction Macau had filed the revised First CT Returns for the Relevant Period on a voluntary basis to the Macau Financial Services Bureau in June 2017 (the “**Second CT Returns**”).

On 1 February 2018, Macau Financial Services Bureau has issued a letter to SFS Construction Macau requesting for further details on the adjusted items and the Macau Financial Services Bureau prefers the adoption of consistent tax reporting basis in the tax filing for the financial year ended 31 December 2016. Based on the subsequent discussions between the tax office of the Macau Financial Services Bureau and the New Tax Representative, Macau Financial Services Bureau agreed that, in order for SFS Construction Macau to align the tax reporting basis with the IAS reporting, Macau Financial Services Bureau had been prepared to accept our Company to include all the accounting adjustments for the Relevant Period in the financial year ended 31 December 2016. On this basis, the New Tax Representative, on behalf of SFS Construction Macau, had submitted such revised tax return for the financial year ended 31 December 2016 (the “**Third CT Return**”) to the Macau Financial Services Bureau on 26 March 2018 with subsequent supporting documents submitted on 9 May 2018.

As at the Latest Practicable Date, the Macau Financial Services Bureau had not yet issued additional tax assessments to SFS Construction Macau for the Third CT Return for the Relevant Period. Taking into account of the financial impacts during the Track Record Period due to the above said variance, SFS Construction Macau had made relevant tax provision by the adjustment to the opening balance of our tax liabilities and retained earnings brought forward as at 1 January 2014 and as the income tax expenses for the years ended 31 December 2014 and 2015, respectively. The relevant tax provision, net of tax paid, in the amount of approximately MOP2.8 million, MOP1.3 million, MOP0.9 million and MOP2.7 million for the years ended 31 December 2012, 2013, 2014 and 2015, respectively, are included in tax payables.

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According to Article 55 and Article 74 of the Macau Complementary Income Tax Regulation (the “**CT Regulation**”), the settlement of complementary tax as well as penalties are limited to five years from the respective financial year. As such, the Macau Financial Services Bureau cannot recover any complementary tax payable for the complementary tax liabilities before the financial year of 2012 and impose any penalties for late payment.

According to Article 64 of the CT Regulation, any inaccurate declarations and verified omissions in CT Returns will result in penalty of MOP100 to MOP10,000; and if the absence, inaccuracy or omission is verified to be deliberate, the range of penalty will be increased to MOP1,000 to MOP20,000. Further, according to Article 65 of the CT Regulation, in the event when appropriately compiled accounting records in accordance with applicable accounting standards were not maintained, a company could be penalised by the Macau Financial Services Bureau at a range from MOP100 to MOP2,000.

Save for the incidents discussed above, our Directors confirmed that SFS Construction Macau had complied with their obligations as required under the CT Regulations.

As advised by the New Tax Representative, the Director are of the view that the maximum potential penalty for SFS Construction Macau for failing to comply with Articles 64 and 65 of the CT Regulation would be MOP88,000 during the Relevant Period.

However, after taking into account that (i) there were not any intentional or deliberate understatement of profits made by SFS Construction Macau; (ii) SFS Construction Macau had filed the First CT Returns, Second CT Returns and Third CT Return on voluntary basis to reconcile financial statements for tax reporting with the IFRS; and (iii) with reference to cases with similar backgrounds, the Macau Financial Services Bureau did not impose penalty against the relevant entities according to Article 64 and Article 65 of the CT Regulations and based on the advice of the New Tax Representative, our Directors believe that the likelihood of the Macau Financial Services Bureau imposing penalty is remote.

To avoid the reoccurrence of similar tax adjustment or tax re-filing as mentioned above, our Group has implemented/will implement the following:

- (i) we have appointed a certified public accountant as the financial controller to oversee the accounting function of our Group. The management accounts and financial information prepared by our staff in the accounting department are required to be reviewed by the financial controller before approval by our Directors;
- (ii) we have established accounting policies and the procedures manual specifying the revenue and cost of sales recognition policies and the procedures is in accordance with IFRS;
- (iii) the financial statement will be audited by the auditor of our Group and the tax computation will be reviewed by the New Tax Representative before tax filing;

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- (iv) our staff in the accounting department shall attend trainings on accounting and tax issue from time to time; and
- (v) our audit committee will oversee the financial reporting and internal control procedures in accounting and financial matters.

After the adoption of above enhanced internal control procedures and according to the result of the review of tax management performed by the internal control consultant, BDO Financial Services Limited, for the period from 1 January 2017 to 30 June 2017, nothing has come to our attention that causes to believe that our Group did not maintain, in all material respects, effective internal controls relating to the tax management as at 30 June 2017.

View of our Directors and the Sole Sponsor

Our Directors are of the view and, the Sole Sponsor concurs, that the above incident would not reflect negatively on the competence and integrity of our Directors under Rules 3.08 and 3.09 of the Listing Rules having taken into account (i) the tax advice from the New Tax Representative; (ii) SFS Construction Macau refiled the CT Tax Returns for the Relevant Period on voluntary basis to reconcile financial statements for tax reporting with IFRS; (iii) our Group has implemented (or will implement where applicable) the measures described above to avoid recurrence of similar incidents; and (iv) the above incidents did not involve any dishonesty or fraudulent act on the part of our Directors given (a) all the revenue from construction contracts entered into by our Group had been fully reported to the Macau Financial Services Bureau on tax reporting basis that revenue is recognised based on receipts from our customers and our Company has clearly stated the tax reporting basis in the 2005 CT Return; (b) previously relied on the Local Accountant in preparing the CT Returns; (c) the adjustments are mainly due to the timing differences arising from the application of the percentage of completion recognition in accordance with IAS for the purpose to reconcile the financial information in accordance with IFRS; (d) from the tax advice of the New Tax Representative, as there was no material adjustment apart from those abovementioned adjustments, and after considering the abovementioned tax adjustment, the New Tax Representative is not aware of any intentional or deliberate understatement of assessable profits made by SFS Construction Macau during their course of work on tax refiling exercise for financial year 2012 to financial year 2015; and (e) the Sole Sponsor is not aware of any deliberate misstatement of the profits of SFS Construction Macau during their work from their professional perspective that involves any dishonest or fraudulent act of our Directors.

Indemnity given by our Controlling Shareholders

In relation to the above, our Controlling Shareholders have undertaken to indemnify our Group against all losses and liabilities arising from the above tax re-filing incidents. For further details, please refer to the section headed “Other information — 1. Estate duty, tax and other indemnity” in Appendix V to this prospectus.

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PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Two years ended 31 December 2014 and 2015 comparison

Revenue

The following table sets forth the revenue recognised in structural works and fitting-out works for the two years ended 31 December 2014 and 2015:

	Year ended 31 December			
	2014	%	2015	%
	<i>MOP'000</i>		<i>MOP'000</i>	
Structural works	439,477	83.8	199,878	50.1
Fitting-out works	<u>85,252</u>	<u>16.2</u>	<u>199,201</u>	<u>49.9</u>
Total	<u><u>524,729</u></u>	<u><u>100.0</u></u>	<u><u>399,079</u></u>	<u><u>100.0</u></u>

Our total revenue decreased by approximately MOP125.6 million, or 23.9%, from approximately MOP524.7 million for the year ended 31 December 2014 to approximately MOP399.1 million for the year ended 31 December 2015. The decrease in revenue was principally attributable to the net effect of the following incidents:

- (i) The revenue from structural works decreased from approximately MOP439.5 million for the year ended 31 December 2014 to approximately MOP199.9 million for the year ended 31 December 2015. This was mainly due to the recognition of substantial work progress of approximately MOP377.3 million in aggregate from structural works projects, namely Project A1 and Project A6 in which the accumulated revenue recognised of these two projects was approximately MOP427.9 million.
- (ii) The revenue from fitting-out works for the year ended 31 December 2014 was approximately MOP85.2 million which took up approximately 16.2% of our revenue. Revenue derived from fitting-out works increased by approximately MOP113.9 million or 133.7%, from approximately MOP85.3 million for the year ended 31 December 2014 to approximately MOP199.2 million for the year ended 31 December 2015. Most of our fitting-out works are at their beginning stage, and therefore not significant revenue has been generated or recognised.

Cost of sales

Our cost of sales decreased by approximately MOP123.2 million or approximately 26.1%, from approximately MOP471.3 million for the year ended 31 December 2014 to approximately MOP348.1

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million for the year ended 31 December 2015. The decrease was principally attributable to the following incidents:

- (i) Decrease in cost of sales of approximately 26.1% was in line with the decrease in revenue of approximately 23.9% for the year ended 31 December 2015.
- (ii) The subcontracting charges decreased by approximately MOP41.2 million which was approximately 16.6%. As the substantial work progress on the two high contract sum of structural works have been completed for the year ended 31 December 2014 as mentioned above, services rendered by subcontractors have been reduced.
- (iii) Contra-charges decreased from approximately MOP158.7 million for the year ended 31 December 2014 to approximately MOP86.6 million for the year ended 31 December 2015 which was approximately MOP72.1 million or 45.4%. This was mainly due to the decrease in contra-charges claimed on materials consumed in the structural works projects.

Gross profit and gross profit margin

Our gross profit decreased by approximately MOP2.4 million or 4.5%, from approximately MOP53.4 million for the year ended 31 December 2014 to approximately MOP51.0 million for the year ended 31 December 2015 due to a decrease of overall revenue amount and partially offset by the slightly increase in gross profit margin from approximately 10.2% to 12.8%.

The gross profit margin of our structural works projects increased from approximately 9.8% to 16.4%. The increase in gross profit margin was mainly due to a high margin structural works projects namely Project A2 on a non-commercial building with a gross profit margin of 35.1% and our Group acted as the main contractor which drove the gross profit margin of our structure works projects up. The higher gross profit margin for Project A2 was mainly attributable to project team using a time efficient and lower cost construction method on the basement construction after reassessment of the underground soil report and our Group acted as the main contractor of the project. The average gross profit margin range for commercial buildings for the year ended 31 December 2015 is from approximately 12.9% to 17.3%.

The gross profit margin of our fitting-out works projects decreased from approximately 11.9% to 9.2%. The decrease in gross profit margin was mainly due to the recognition of loss making for three fitting-out works projects. The aggregate recognised loss was amounted to approximately MOP8.3 million for the year ended 31 December 2015.

Other income

Other income for the two years ended 31 December 2014 and 2015 was approximately MOP25.8 million and MOP23.0 million respectively. It decreased by approximately MOP2.8 million or 10.9%. Such decrease is mainly due to the decrease in project consultancy fee of approximately MOP1.2 million from an Independent Third Party, a decrease in the income from sales of scrap materials of approximately MOP2.8 million, the decrease in bank interest income of approximately MOP0.8 million and partially offset by the increase in imputed interest of approximately MOP2.2 million.

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Other losses

Other losses consisted of net exchange loss for the year ended 31 December 2014 and 2015. The exchange losses were approximately MOP1.1 million and MOP0.7 million respectively. The decrease of exchange loss was mainly due to a release of pledge bank deposit of RMB33.0 million in 2015.

Administrative expenses

Administrative expenses for the two years ended 31 December 2014 and 2015 were approximately MOP17.9 million and MOP13.2 million respectively. It decreased by approximately MOP4.7 million or 26.3%. Such decrease is mainly due to the decrease in staff cost of approximately MOP4.7 million from human resource restructuring implemented during 2015.

Finance costs

Finance costs for the two years ended 31 December 2014 and 2015 were approximately MOP4.0 million and MOP1.4 million respectively. It decreased by approximately MOP2.6 million or 65.0%. Such decrease was mainly due to the decrease of interest expenses as a result of the decrease of average outstanding balance of bank loans during 2015 as well as the repayment of bank loans and bank overdrafts.

Share of profit of a joint venture

Our share of profits of a joint venture decreased from approximately MOP2.5 million in 2014 to approximately MOP0.6 million in 2015, which was primarily attributable to the decrease in profit for the year generated by the joint venture as a result of the increase in direct labour costs in the PRC of such joint venture which led the drop in the gross profit margin of the projects involved.

Income tax expense

Income tax expense for the two years ended 31 December 2014 and 2015 was approximately MOP4.9 million and MOP5.5 million respectively. It increased by approximately MOP0.6 million or 12.2%. Such increase is mainly due to the increase in profit before taxation. The effective tax rates for the years ended 31 December 2014 and 2015 were 8.3% and 9.3% respectively, which were lower than the statutory income tax rate in Macau of 12%. The lower effective tax rates for the two years ended was mainly due to the tax effect of income non-taxable notional imputed interest income.

Profit for the year and net profit margin

Our profit for the two years ended 31 December 2014 and 2015 was approximately MOP53.9 million and MOP53.9 million respectively. It was fairly stable.

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Our profit for the year excluding imputed interest income and listing expenses for the year ended 31 December 2014 and 2015 was approximately MOP36.4 million and MOP34.2 million respectively. Our net profit margin (excluding imputed interest income and listing expenses) increased from approximately 6.9% for the year ended 31 December 2014 to approximately 8.6% for the year ended 31 December 2015 was mainly due to (i) the increase in gross profit from the gross profit margin of 10.2% in 2014 to 12.8% in 2015, (ii) the decrease in administrative expenses and (iii) the decrease in finance costs as result of repayment of bank loans and bank overdrafts.

Two years ended 31 December 2015 and 2016 comparison

Revenue

The following table sets forth the revenue recognised in structural works and fitting-out works for the two years ended 31 December 2015 and 2016:

	Year ended 31 December			
	2015		2016	
	<i>MOP'000</i>	%	<i>MOP'000</i>	%
Structural works	199,878	50.1	131,592	35.4
Fitting-out works	<u>199,201</u>	<u>49.9</u>	<u>239,663</u>	<u>64.6</u>
Total	<u><u>399,079</u></u>	<u><u>100.0</u></u>	<u><u>371,255</u></u>	<u><u>100.0</u></u>

Our revenue slightly decreased by approximately MOP27.8 million, or 7.0%, from approximately MOP399.1 million for the year ended 31 December 2015 to approximately MOP371.3 million for the year ended 31 December 2016. The decrease was principally attributable to the following reasons:

- (i) Our revenue from structural works decreased by approximately MOP68.3 million or 34.2%, from approximately MOP199.9 million for the year ended 31 December 2015 to approximately MOP131.6 million for the year ended 31 December 2016 as most of the structural works has been carried out in previous years and we are shifting our resources to focus on fitting-out works. Over 90% of revenue from structural works was derived from one of the structural works projects (Project A5) which contributed approximately MOP121.7 million.
- (ii) Our revenue from fitting-out works increased by approximately MOP40.5 million or 20.3%, from approximately MOP199.2 million for the year ended 31 December 2015 to approximately MOP239.7 million for the year ended 31 December 2016. We had more than 10 fitting-outs works projects for the year ended 31 December 2016 in which one of the fitting-out works projects (Project D1) had contributed approximately MOP189.6 million to our total revenue for the year ended 31 December 2016.

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Cost of sales

Our cost of sales decreased by approximately MOP35.5 million, or 10.2%, from approximately MOP348.1 million for the year ended 31 December 2015 to approximately MOP312.6 million for the year ended 31 December 2016. The decrease was principally attributable to the following incidents:

- (i) Decrease in cost of sales of approximately 10.2% was consistent with the decrease in revenue of approximately 7.0% for the year ended 31 December 2016.
- (ii) Contra-charges decreased from approximately MOP86.6 million for the year ended 31 December 2015 to approximately MOP40.9 million for the year ended 31 December 2016 representing a decrease of approximately MOP45.7 million or 52.8%. Contra-charge claimed have been further reduced as our projects on hand for the year ended 31 December 2016 were mostly fitting-out works projects which did not incur much of these costs as comparing with structural works projects.

Gross profit and gross profit margin

Our overall gross profit for the two years ended 31 December 2015 and 2016 was approximately MOP51.0 million and MOP58.7 million respectively. Our overall gross profit increased by approximately MOP7.7 million or 15.1%.

Our gross profit for structural works projects increased by approximately MOP1.8 million from approximately MOP32.7 million for the year ended 31 December 2015 to approximately MOP34.5 million for the year ended 31 December 2016 mainly due to increase in gross profit margin. Our gross profit for fitting-out works projects increased by approximately MOP5.9 million from approximately MOP18.3 million for the year ended 31 December 2015 to approximately MOP24.2 million for the year ended 31 December 2016 due to an increase in contract value contributed by the fitting-out works projects.

Our gross profit margin for the years ended 31 December 2015 and 2016 was approximately 12.8% and 15.8% respectively. The gross profit margin of structural works projects increased from approximately 16.4% for the year ended 31 December 2015 to approximately 26.2% for the year ended 31 December 2016. The increase was mainly due to an increase in variation orders certified and approved by our customer regarding supply and installation of steel structure components and final approval payment on extra cost incurred for extension of construction period from one of our high contract value structural works projects, namely Project A5. The gross profit margin of fitting-out works project was relatively stable and only slightly increased by approximately 0.9%.

Other income

Other income for the two years ended 31 December 2015 and 2016 was approximately MOP23.0 million and MOP23.6 million respectively. It increased by approximately MOP0.6 million or 2.6%.

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Such increase was mainly due to the net effect on the increase in imputed interest income of approximately MOP1.8 million partially offset by a decrease of project consultancy fee income of approximately MOP0.8 million and a decrease of bank interest income of approximately MOP0.4 million during the year ended 31 December 2016.

Other losses

Other losses for the two years ended 31 December 2015 and 2016 were approximately MOP0.7 million and MOP0.4 million respectively. Such decrease was due to a decrease in exchange loss of approximately MOP0.5 million and partially offset by an increase in loss on disposal/written off of property, plant and equipment of approximately MOP0.2 million.

Allowance for doubtful debts

Allowance for doubtful debts for the year ended 31 December 2016 mainly consisted of a trade receivable amounting to MOP2.6 million due from a customer which had financial difficulties and its parent company was suspended from trading on the Stock Exchange since April 2017. In the opinion of the management of our Group, the amount was considered irrecoverable and a full provision of the amount was made.

Reversal of allowance for doubtful debts

Reversal of allowance for doubtful debts for the year ended 31 December 2016 represented a bad debt recovered of MOP5.8 million. For further information, please refer to the paragraph headed “Movement in the allowance for doubtful debts” in this section.

Administrative expenses

Administrative expenses for the two years ended 31 December 2015 and 2016 were approximately MOP13.2 million and MOP14.1 million respectively. It slightly increased by approximately MOP0.9 million or 6.8%. Such increase was mainly due to an increase in staff costs of approximately MOP1.2 million as a result of hiring new senior management and back office supporting staffs in 2016.

Finance costs

Finance costs for the two years ended 31 December 2015 and 2016 were approximately MOP1.4 million and MOP1.1 million respectively. It decreased by approximately MOP0.3 million or 21.4%. Such decrease was mainly due to the decrease of weighted average interest rate from 2.77% to 2.60% per annum.

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Share of profit of a joint venture

Our share of profits of a joint venture decreased from approximately MOP0.6 million in 2015 to approximately MOP0.2 million in 2016, which was primarily attributable to the decrease in profit for the year generated by the joint venture as a result of the drop in the turnover generated by the joint venture from MOP20.2 million in 2015 to MOP6.2 million in 2016.

Income tax expense

Income tax expense for the two years ended 31 December 2015 and 2016 was approximately MOP5.5 million and MOP6.2 million respectively. It increased by approximately MOP0.7 million or 12.7%. Such increase was mainly due to the increase in profit before taxation. The effective tax rates for the years ended 31 December 2015 and 2016 were approximately 9.3% and 9.3% respectively. The Macau complementary tax rate is approximately 12%. The lower of effective tax rates than the Macau complementary tax rate is mainly due to the non-taxable notional imputed interest income.

Profit for the year and net profit margin

Our profit for the two years ended 31 December 2015 and 2016 was approximately MOP53.9 million and MOP60.3 million. The increase in profit was mainly due to the increase in the gross profit of approximately MOP7.7 million from the increase in the gross profit margin of 12.8% in 2015 to 15.8% in 2016, as well as other gains of approximately MOP2.2 million in 2016 which was partially offset by the listing expenses of approximately MOP3.0 million for the year ended 31 December 2016.

Our profit for the year (excluding imputed interest income and listing expenses) for the year ended 31 December 2015 and 2016 was approximately MOP34.2 million and MOP41.8 million respectively. Our net profit margin (excluding imputed interest income and listing expenses) increased from approximately 8.6% for the year ended 31 December 2015 to approximately 11.3% for the year ended 31 December 2016. This was mainly attributable to the increase in gross profit margin from structural works projects and the increase in other gain or loss which was due to the reversal of doubtful debt.

Two years ended 31 December 2016 and 2017 comparison

Revenue

The following table sets forth the revenue recognised in structural works and fitting-out works for the years ended 31 December 2016 and 2017:

	Year ended 31 December			
	2016		2017	
	<i>MOP'000</i>	%	<i>MOP'000</i>	%
Structural works	131,592	35.4	21,402	11.6
Fitting-out works	<u>239,663</u>	<u>64.6</u>	<u>163,799</u>	<u>88.4</u>
Total	<u><u>371,255</u></u>	<u><u>100.0</u></u>	<u><u>185,201</u></u>	<u><u>100.0</u></u>

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Our revenue decreased by approximately MOP186.1 million or 50.1%, from approximately MOP371.3 million for the year ended 31 December 2016 to approximately MOP185.2 million for the year ended 31 December 2017. The decrease was principally attributable to:

- (i) Our revenue from structural works decreased by approximately MOP110.2 million or 83.7%, from approximately MOP131.6 million for the year ended 31 December 2016 to approximately MOP21.4 million for the year ended 31 December 2017 as our revenue was mainly derived from Project A5 and the work done for the new structural projects such as Project C3 and Project C4 which were awarded in the second half year of 2017 and still at the preparation stage, hence no significant revenue was generated during the year ended 31 December 2017.
- (ii) Our revenue from fitting-out works decreased by approximately MOP75.9 million or 31.7%, from approximately MOP239.7 million for the year ended 31 December 2016 to MOP163.8 million for the year ended 31 December 2017 as one fitting-out works project namely Project D1 with a large contract sum had been substantially completed and recognised MOP189.6 million in 2016.

Cost of sales

Our cost of sales decreased by approximately MOP177.4 million or 56.7%, from approximately MOP312.6 million for the year ended 31 December 2016 to approximately MOP135.2 million for the year ended 31 December 2017. The decrease in cost of sales of approximately 56.7% was in line with a decrease in revenue of approximately 50.1% for the year ended 31 December 2017.

Gross profit and gross profit margin

Our overall gross profit for the two years ended 31 December 2016 and 2017 was approximately MOP58.7 million and MOP50.0 million, respectively. Our overall gross profit decreased by approximately MOP8.7 million or 14.8%, while our overall gross profit margin has been increased from 15.8% to 27.0%. The fluctuation in overall gross profit as well as the overall gross profit margin were mainly attributable to:

- (i) Our gross profit of structural works for the two years ended 31 December 2016 and 2017 was approximately MOP34.5 million and MOP8.6 million, respectively. The decrease of our gross profit was due to the decrease in certified work done on structural works during the year ended 31 December 2017, especially for the structural works projects with larger contract sum. However, our gross profit margin of structural works for the two years ended 31 December 2016 and 2017 was approximately 26.2% and 40.0% respectively, recorded an increase of approximately 13.8%. Such increase was mainly attributable to the approval on claims in final account of approximately MOP5.4 million of additional costs incurred from Project A5 in relation to the prolongation claims toward our customer as a result of the completion of works being delayed by causes of events which are not our responsibility.

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- (ii) Our gross profit of fitting-out works for the two years ended 31 December 2016 and 2017 was approximately MOP24.2 million and MOP41.4 million, respectively. It increased by approximately MOP17.2 million. The gross profit margin of fitting-out works for the two years ended 31 December 2016 and 2017 were approximately 10.1% and 25.3% respectively. It increased 15.2% and was mainly due to (i) the extra cost saving on a new project, namely Project D2. As our project team were able to provide recommendations for our customers using material meeting customer quality request and comply with their specification with lower cost. Besides that, we have received several variation orders requested by our customer during the implementation stage and they were treated as additional work orders; (ii) a better cost control on a large contract sum project, namely Project D1 as a result of lower cost of our subcontractors in the final account compared with budgeted cost; and (iii) additional variation orders claims on Project D3 and Project B11 were certified by our customers after the final accounts review.

Other income

Other income for the two years ended 31 December 2016 and 2017 were approximately MOP23.6 million and MOP13.9 million, respectively. It decreased by MOP9.7 million or 41.1%. Such decrease was mainly due to the decrease in imputed interest income of approximately MOP10.0 million.

Other losses

Other losses for the two years ended 31 December 2016 and 2017 were approximately MOP0.4 million and MOP0.1 million respectively. Such decrease was mainly due to a decrease in loss on disposal/written off of property, plant and equipment of approximately MOP0.2 million.

Reversal of allowance for doubtful debts

Reversal of allowance for doubtful debts for the year ended 31 December 2017 represented a reversal of bad debt of MOP2.6 million made in 2016. For further information, please refer to the paragraph headed “Movement in the allowance for doubtful debts” in this section.

Administrative expenses

Administrative expenses for the two years ended 31 December 2016 and 2017 were approximately MOP14.1 million and MOP15.0 million respectively. It increased by MOP0.9 million or 6.4%. Such increase is mainly due to (i) an increase in depreciation expense of MOP1.4 million as a result of the acquisition of office premises being partially offset by a decrease of rental expenses of MOP0.8 million, and (ii) an increase in staff costs of MOP0.6 million by hiring new back office supporting staff in 2017.

Finance costs

Finance costs for the two years ended 31 December 2016 and 2017 were approximately MOP1.1 million and MOP0.7 million respectively. The decrease was mainly due to the repayment of bank loan in 2017.

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Income tax expense

Income tax expense for the two years ended 31 December 2016 and 2017 were approximately MOP6.2 million and MOP4.8 million respectively. It decreased by MOP1.4 million or 22.6%. Such decrease is mainly due to the decrease in profit before taxation. The effective tax rates for the two years ended 31 December 2016 and 2017 were 9.3% and 11.8% respectively. The increase in effective tax rate was mainly due to the decrease in non-taxable imputed interest income of MOP10.0 million and the increase in non-deductible listing expenses of MOP7.2 million for the year ended 31 December 2017.

Profit for the year and net profit margin

Our profit for the two years ended 31 December 2016 and 2017 were approximately MOP60.3 million and MOP35.8 million. It decreased by MOP24.5 million and was mainly attributable to the consolidated effect of the aforesaid items as well as increase in the listing expenses of MOP7.2 million for the year ended 31 December 2017.

Our profit for the year excluding imputed interest income and listing expenses for the two years ended 31 December 2016 and 2017 was approximately MOP41.8 million and MOP34.5 million respectively. Our net profit margin (excluding imputed interest income and listing expenses) increased from approximately 11.3% for the year ended 31 December 2016 to approximately 18.6% for the year ended 31 December 2017.

Five months ended 31 May 2017 and 2018 comparison

Revenue

The following table sets forth our revenue recognised in structural works and fitting-out works for the five months ended 31 May 2017 and 2018:

	Five months ended 31 May			
	2017		2018	
	<i>MOP'000</i>	<i>%</i>	<i>MOP'000</i>	<i>%</i>
	<i>(unaudited)</i>			
Structural works	—	—	22,028	22.9
Fitting-out works	72,075	100.0	74,090	77.1
Total	<u>72,075</u>	<u>100.0</u>	<u>96,118</u>	<u>100.0</u>

Our revenue increased by approximately MOP24.0 million, or 33.4%, from approximately MOP72.1 million for the five months ended 31 May 2017 to approximately MOP96.1 million for the five months ended 31 May 2018. The increase was principally attributable to our revenue from structural works increased by approximately MOP22.0 million or 100.0%, from nil for the five months

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ended 31 May 2017 to approximately MOP22.0 million for the five months ended 31 May 2018, as there are a number of structural projects such as C3 newly awarded since late 2017 and undertaken by our Group for the five months ended 31 May 2018 while no structural projects were undertaken during 31 May 2017.

Cost of sales

Our cost of sales increased by approximately MOP13.9 million, or 23.9%, from approximately MOP58.2 million for the five months ended 31 May 2017 to approximately MOP72.1 million for the five months ended 31 May 2018. The increase in cost of sales was in line with an increase in revenue for the five months ended 31 May 2018.

Gross profit and gross profit margin

Our gross profit for the five months ended 31 May 2017 and 2018 was approximately MOP13.9 million and MOP24.1 million, respectively. It has been increased by approximately MOP10.2 million or 73.4% and was mainly attributable to:

- (i) Our gross profit from structural works increased by approximately MOP7.0 million or 100.0% from nil for the five months ended 31 May 2017 to approximately MOP7.0 million for the five months ended 31 May 2018. Such increase was due to the substantial work progress on our newly awarded structural works projects as mentioned above in the paragraph headed “Revenue” in this section for the five months ended 31 May 2018.
- (ii) Our gross profit from fitting-out works increased by approximately MOP3.2 million or 23.0% from approximately MOP13.9 million for the five months ended 31 May 2017 to approximately MOP17.1 million for the five months ended 31 May 2018. The gross profit margin of fitting-out works for the five months ended 31 May 2017 and 2018 were approximately 19.3% and 23.1% respectively. The increase in gross profit margin of fitting-out works was mainly due to presence of a prolonged claim approved by our customer from Project D1. D1 is one of our fitting-out projects with a large contract sum during the Track Record Period, which had been substantially completed in 2016. The costs associated with the prolonged claim, such as direct labour costs, had been incurred during the course of project execution and reflected in the financial statements during the years ended 31 December 2016, and the revenue was only recognised at the year/period after the completion of Project D1 taken place in 2016. Hence, the gross profit margin was increased in the five months ended 31 May 2018. For illustration purpose, the gross profit margin for the fitting-out works for the five months ended 31 May 2018 after excluding the gross profit contributed by Project D1 was approximately 15.5%.
- (iii) Reversal of provision for repair and maintenance works for the completed structural and fitting-out projects such as A1, A6 and B1 after the expiry of the defect liability period.

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Other income

Other income for the five months ended 31 May 2017 and 2018 were approximately MOP10.7 million and MOP0.7 million respectively. It decreased by MOP10.0 million or 93.5%. Such decrease was mainly because no imputed interest income was recognised for the five months ended 31 May 2018 as there was no amount due from related companies and director during the period.

Other losses

Other losses consisted of net exchange loss for the five months ended 31 May 2017 and 2018.

Administrative expenses

Administrative expenses for the five months ended 31 May 2017 and 2018 remained relatively stable at approximately MOP6.3 million and MOP6.4 million respectively.

Finance costs

Finance costs for the five months ended 31 May 2017 and 2018 were approximately MOP0.3 million and less than MOP100 respectively. Such decrease was mainly due to the repayment of bank loan in late 2017.

Income tax expense

Income tax expense for the five months ended 31 May 2017 and 2018 were approximately MOP1.2 million and MOP2.0 million respectively. It increased by approximately MOP0.8 million or 66.7%. Such increase is mainly due to the increase in profit before taxation. The effective tax rates for the five months ended 31 May 2017 and 2018 were 9.1% and 12.2% respectively. The increase of effective tax rates for the five months ended 31 May 2018 was mainly due to the decrease in the non-taxable imputed interest income.

Profit for the period and net profit margin

Our profit for the five months ended 31 May 2017 and 2018 were approximately MOP12.4 million and MOP14.4 million. It increased by MOP2.0 million and was mainly due to the consolidated effect of the aforesaid items as well as decrease in listing expenses of approximately MOP 2.6 million for the five months ended 31 May 2018.

Our profit for the period excluding imputed interest income and listing expenses for the five months ended 31 May 2017 and 2018 was approximately MOP7.3 million and MOP16.2 million respectively. Our net profit margin (excluding imputed interest income and listing expenses) increased from approximately 10.1% for the five months ended 31 May 2017 to approximately 16.9% for the five months ended 31 May 2018 which was mainly attributable to the increase in overall gross profit margin.

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LIQUIDITY AND CAPITAL RESOURCES

Overview

During the Track Record Period, our Group has met the liquidity requirement to finance our operation and working capital requirements mainly through a combination of cash flows generated from our operations and bank facilities. We also expect to support our future capital expenditure, working capital and other cash requirements from cash flows generated from our operations, the net proceeds from the Global Offering and bank facilities. As at the Latest Practicable Date, we had not experienced any difficulty in maintaining bank facilities and we had not experienced any liquidity problems in settling our payables as well as the bank borrowings.

Cash flows

The following table sets forth a summary of our Group's consolidated cash flow statements during the Track Record Period:

	Year ended 31 December				Five months ended 31 May	
	2014	2015	2016	2017	2017	2018
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
					<i>(unaudited)</i>	
Net cash from operating activities	88,112	19,814	59,003	26,193	47,787	3,051
Net cash (used in) from investing activities	(47,201)	1,592	(4,188)	3,881	391	91
Net cash (used in) from financing activities	<u>(9,768)</u>	<u>(11,715)</u>	<u>8,204</u>	<u>(43,294)</u>	<u>(883)</u>	<u>(2,971)</u>
Net increase (decrease) in cash and cash equivalents	31,143	9,691	63,019	(13,220)	47,295	171
Cash and cash equivalents at the beginning of the year/period	<u>(34,012)</u>	<u>(2,869)</u>	<u>6,822</u>	<u>69,841</u>	<u>69,841</u>	<u>56,621</u>
Cash and cash equivalents at the end of the year/period	<u><u>(2,869)</u></u>	<u><u>6,822</u></u>	<u><u>69,841</u></u>	<u><u>56,621</u></u>	<u><u>117,136</u></u>	<u><u>56,792</u></u>

Operating activities

Our Group's profit before taxation during the Track Record Period mainly comprised of cash inflow from project revenue and the cash outflow of operating activities such as material costs, subcontracting charges, staff costs and other operating expenses.

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Our Group's operating cash flows before movements in working capital mainly comprised of profit before taxation, being adjusted for the depreciation of property, plant and equipment, interest income and expense, allowance for and reversal of allowance for doubtful debts, share of profit of a joint venture and loss on disposal/written off of property, plant & equipment.

Net cash from operating activities for the year ended 31 December 2014 was approximately MOP88.1 million. Our cash inflow was mainly attributable to cash flow from operations of MOP88.4 million which was offset by income tax paid of MOP0.3 million. Our cash flow from operations principally consisted of profit before taxation of MOP58.7 million, being adjusted for (i) bank interest income of MOP2.2 million; (ii) interest expense of bank borrowings and overdrafts of approximately MOP4.0 million; and (iii) certain non-cash items, mainly including (a) the imputed interest income of MOP17.5 million; (b) the profit sharing from a joint venture of MOP2.5 million and (c) positive changes in working capital, mainly including (i) the increase in trade and other payables of MOP61.4 million primarily due to the increase in progress payments in relation to projects work done performed by our subcontractors and (ii) the increase in contract liabilities of MOP14.1 million due to the increase in advances received from customers. Such positive changes were partially offset by (i) the increase in trade and other receivable of MOP3.1 million and (ii) the increase in contract assets of MOP24.6 million which was due to the increase in retention money withheld by our customers and the increase in amount of our works performed but not yet certified by our customers.

Net cash from operating activities for the year ended 31 December 2015 was approximately MOP19.8 million. Our cash inflow was mainly attributable to cash flow from operations of MOP23.8 million which was offset by income tax paid of MOP4.0 million. Our cash flow from operations principally consisted of profit before taxation of MOP59.4 million, being adjusted for (i) bank interest income of MOP1.4 million; (ii) interest expense of bank borrowings and overdrafts of approximately MOP1.4 million and (iii) certain non-cash items, mainly including (a) the imputed interest income of MOP19.6 million; (b) the profit sharing from a joint venture of MOP0.6 million and (c) negative changes in working capital, mainly comprised of (i) the increase in trade and other receivables of MOP5.0 million representing an increase in certified payment applications but not yet paid and (ii) the increase in contract costs of MOP36.3 million mainly representing the increase in our costs incurred that will be used to fulfill the construction contract for provision of fitting-out works in the future and (iii) the decrease in contract liabilities of MOP13.8 million mainly due to the decrease in advances received from customer. Such negative changes were partially offset by the increase in trade and other payables of approximately MOP38.2 million primarily due to the increase in progress payments and accrued contract costs in relation to project works performed by our subcontractors.

Net cash from operating activities for the year ended 31 December 2016 was approximately MOP59.0 million. Our cash inflow was mainly attributable to cash flow from operations of MOP61.8 million which was offset by income tax paid of MOP2.8 million. Our cash flow from operations principally consisted of profit before taxation of MOP66.4 million, being adjusted for (i) bank interest income of MOP1.1 million; (ii) reversal of allowance for doubtful debts of MOP5.8 million; (iii) interest expense of bank borrowings and overdrafts of MOP1.1 million; (iv) allowance for doubtful debts of approximately MOP3.2 million and (v) certain non-cash items, mainly including (a) the imputed interest income of MOP21.5 million and (b) positive changes in working capital, mainly comprised of (i) the decrease in contract costs of MOP36.3 million as it was amortised to profit or loss

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in accordance with the fitting-out works performed; (ii) a decrease in trade and other receivables of MOP16.5 million primarily due to the decrease in advances paid to subcontractors. Such positive changes were partly offset by the decrease in trade and other payables of MOP29.5 million representing subcontractors' payment applications had been settled before the year ended.

Net cash from operating activities for the year ended 31 December 2017 was approximately MOP26.2 million. Our cash inflow was mainly attributable to cash flow from operations of MOP32.1 million which was offset by income tax paid of approximately MOP5.9 million. Our cash flow from operations principally consisted of profit before taxation of approximately MOP40.6 million, being adjusted for (i) bank interest income of approximately MOP1.8 million; (ii) reversal of allowance for doubtful debts of approximately MOP2.6 million; (iii) interest expense of bank borrowings and overdrafts of approximately MOP0.7 million; and (iv) certain non-cash items, mainly including (a) the imputed interest income of approximately MOP11.5 million and (b) positive changes in working capital, mainly comprised of (i) the decrease in trade and other receivable of approximately MOP16.8 million primarily due to the decrease in trade receivables of approximately MOP18.8 million and (ii) the increase in contract liabilities of approximately MOP7.5 million mainly due to the increase in advances received from customers. Such positive changes were partially offset by (i) the decrease in trade and other payable of approximately MOP11.8 million, (ii) the increase in contract assets of approximately MOP6.0 million mainly due to increase in retention receivable of approximately MOP9.0 million; and (iii) the decrease in amounts due to related companies of approximately MOP1.2 million due to the settlement of subcontracting service rendered by San Iao Pong.

Net cash from operating activities for the five months ended 31 May 2018 was approximately MOP3.1 million and was mainly attributable to cash flow from operations. Our cash flow from operations principally consisted of profit before taxation of approximately MOP16.4 million, being adjusted for (i) bank interest income of approximately MOP0.6 million and (ii) certain non-cash items, mainly including (a) depreciation of approximately MOP0.7 million and (b) overall negative changes in working capital which comprised of the decrease in contract assets of approximately MOP22.2 million primarily due to the decrease in retention receivables of approximately MOP 21.2 million, and offset by (i) the increase in trade receivables of approximately MOP16.0 million; (ii) the increase in advances paid to subcontractors and suppliers of approximately MOP 5.0 million; (iii) the decrease in trade payables of MOP10.6 million and (iv) the decrease in contract liabilities of approximately MOP7.6 million mainly due to the decrease in advances received from customers of MOP7.0 million.

Investing activities

Our Group's cash used in investing activities during the Track Record Period mainly included advance to a director and related companies, the purchase of property, plant and equipment and placement of pledged deposits. Our Group's cash from investing activities during the Track Record Period mainly included release of pledged deposits, the repayment from a director and related companies and the receipt of interest income.

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Net cash used in investing activities for the year ended 31 December 2014 was approximately MOP47.2 million which was mainly attributable to (i) the advance to a director of approximately MOP69.7 million; (ii) advance to related companies of approximately MOP19.4 million aroused from non-trade transactions; (iii) purchase of equipment of approximately MOP0.3 million; and (iv) placement of pledged deposits of approximately MOP12.2 million to secure banking facilities granted to our Group. The cash outflow of investment activities was partially improved by (i) the release of pledged deposits of approximately MOP10.4 million due to variation in the terms of the banking facilities granted to our Group; (ii) repayment from a director of approximately MOP41.5 million; (iii) the repayment from related companies of approximately MOP0.2 million; and (iv) the receipt of bank interest income of approximately MOP2.2 million.

Net cash from investing activities for the year ended 31 December 2015 was approximately MOP1.6 million which was mainly attributable to (i) the release of pledged deposits of approximately MOP49.7 million due to the repayment of bank borrowings during the year; (ii) repayment from a director of approximately MOP76.3 million; (iii) the repayment from related companies of approximately MOP3.8 million; and (iv) the receipt of bank interest income of approximately MOP1.4 million. The cash inflow from investing activities was partially offset by (i) advance to a director of approximately MOP120.4 million and advance to related companies of approximately MOP0.1 million aroused from non-trade transactions; (ii) purchase of equipment of approximately MOP0.2 million; and (iii) placement of pledged deposits of approximately MOP8.9 million mainly for issuance of performance bonds in relation to the newly rewarded project.

Net cash used in investing activities for the year ended 31 December 2016 was approximately MOP4.2 million which was mainly attributable to (i) advance to a director of approximately MOP1.0 million aroused from non-trade transactions; (ii) purchase of equipment of approximately MOP1.9 million; and (iii) placement of pledged deposits of approximately MOP12.4 million mainly for issuance of performance bonds in relation to the newly awarded project. The cash outflow of investing activities was partially improved by (i) the proceeds from disposal of a jointed venture of approximately MOP7.0 million as a part of Reorganisation; (ii) the repayment from a director of approximately MOP2.9 million; and (iii) the receipt of bank interest income of approximately MOP1.1 million.

Net cash used in investing activities for the year ended 31 December 2017 was approximately MOP3.9 million which was mainly attributable to (i) advance to a director of approximately MOP0.5 million aroused from non-trade transactions and (ii) placement of pledged deposits of approximately MOP5.6 million aroused by variation in the terms of the banking facilities granted to our Group. The cash outflow of investing activities was partially improved by (i) the repayment from a director of approximately MOP0.2 million; (ii) the receipt of bank interest income of approximately MOP1.8 million; and (iii) the release of pledged deposits of approximately MOP8.2 million.

Net cash from investing activities for the five months ended 31 May 2018 was approximately MOP0.1 million and was mainly attributable to the receipt of bank interest income of approximately MOP0.2 million being set off by the purchase of equipment of MOP0.1 million.

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Financing activities

Our Group's cash from financing activities during the Track Record Period mainly included advance from a director and related companies and new bank borrowings raised. Our Group's cash used in financing activities during the Track Record Period included the repayment to a director, repayment of bank borrowings and interest paid.

Net cash used in financing activities for the year ended 31 December 2014 was approximately MOP9.8 million which was mainly attributable to (i) the repayment of bank borrowings of approximately MOP30.9 million and (ii) the payment of loan interest of approximately MOP4.1 million. The cash used in financing activities was partially improved by (i) advance from related companies of approximately MOP4.6 million aroused from non-trade transactions; and (ii) new bank borrowings of approximately MOP20.6 million for our projects.

Net cash used in financing activities for the year ended 31 December 2015 was approximately MOP11.7 million which was mainly attributable to (i) the repayment of bank borrowings of approximately MOP61.9 million; and (ii) the repayment to a director of approximately MOP6.7 million; and (iii) the interest paid for bank credit facilities of approximately MOP1.4 million. The cash used in financing activities was partially improved by (i) the advance from a director of approximately MOP6.7 million; (ii) the advance from related companies of approximately MOP10.3 million aroused from non-trade transactions; and (iii) new bank borrowings of approximately MOP41.3 million for projects financing.

Net cash from financing activities for the year ended 31 December 2016 was approximately MOP8.2 million which was mainly attributable to (i) the advance from a director of approximately MOP5.0 million; and (ii) new bank borrowings of approximately MOP45.4 million for projects financing. The cash from financing activities was partially offset by (i) the repayment of bank borrowings of approximately MOP35.1 million; (ii) the repayment to a director of approximately MOP5.0 million; (iii) the issue costs paid of approximately MOP1.0 million; and (iv) the interest paid for bank credit facilities of approximately MOP1.1 million.

Net cash used in financing activities for the year ended 31 December 2017 was approximately MOP43.3 million which was mainly attributable to (i) the repayment of bank and other borrowings of approximately MOP41.3 million; and (ii) the issue costs paid of approximately MOP1.3 million.

Net cash used in financing activities for the five months ended 31 May 2018 was approximately MOP3.0 million which represented the issue costs paid .

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NET CURRENT ASSETS

As at 31 December 2014, 2015, 2016 and 2017, 31 May 2018 and 30 June 2018, our Group's net current assets were approximately MOP42.7 million, MOP76.5 million, MOP329.4 million, MOP82.2 million, MOP97.2 million and MOP98.1 million, respectively. The following table sets forth a breakdown of our current assets and liabilities as at the dates indicated:

	At 31 December				At	At
	2014	2015	2016	2017	31 May	30 June
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
	<i>(unaudited)</i>					
Current assets						
Trade and other receivables	52,804	57,788	44,871	32,001	52,820	69,552
Contract assets	43,837	45,074	47,981	53,987	31,795	31,405
Contract costs	—	36,317	—	—	—	—
Amounts due from related companies	4,357	638	14,989	—	—	—
Amount due from a director	48,146	92,264	284,619	—	—	—
Pledged bank deposits	96,049	55,303	67,722	65,169	65,575	65,575
Bank balances and cash	39,292	7,252	69,934	56,621	56,792	58,197
	<u>284,485</u>	<u>294,636</u>	<u>530,116</u>	<u>207,778</u>	<u>206,982</u>	<u>224,729</u>
Current liabilities						
Trade and other payables	106,777	145,018	115,471	103,616	93,385	107,671
Contract liabilities	14,770	971	1,599	9,087	1,505	3,725
Amounts due to related companies	5,344	18,150	16,238	—	—	—
Amount due to a director	12,027	12,027	12,027	—	—	—
Tax payable	9,116	10,608	14,000	12,858	14,867	15,152
Bank overdrafts	42,161	430	93	—	—	106
Bank borrowings	51,575	30,945	41,260	—	—	—
	<u>241,770</u>	<u>218,149</u>	<u>200,688</u>	<u>125,561</u>	<u>109,757</u>	<u>126,654</u>
Net current assets	<u>42,715</u>	<u>76,487</u>	<u>329,428</u>	<u>82,217</u>	<u>97,225</u>	<u>98,075</u>

Our net current assets as at 31 December 2015 were increased by approximately MOP33.8 million as compared to 31 December 2014. Such increase was mainly due to (i) an increase in trade and other receivables of approximately MOP5.0 million; (ii) an increase in contract costs of approximately MOP36.3 million; (iii) an increase in amount due from a director of approximately MOP44.1 million; (iv) a decrease in contract liabilities of approximately MOP13.8 million; (v) a decrease in bank overdrafts of approximately MOP41.7 million; and (vi) a decrease in bank borrowings of approximately MOP20.6 million. The increase in net current assets was partly offset by (i) a decrease in amounts due from related companies of approximately MOP3.7 million; (ii) a

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decrease in pledged bank deposits of approximately MOP40.7 million; (iii) a decrease in bank balances and cash of approximately MOP32.0 million; (iv) an increase in trade and other payables of approximately MOP38.2 million; and (v) an increase in amount due to related companies of approximately MOP12.8 million.

Our net current assets as at 31 December 2016 were increased by approximately MOP252.9 million as compared to 31 December 2015. Such increase was mainly due to (i) an increase in amounts due from related companies of approximately MOP14.4 million; (ii) an increase in amount due from a director of approximately MOP192.4 million; (iii) an increase in pledged bank deposits of approximately MOP12.4 million; (iv) an increase in bank balances and cash of approximately MOP62.7 million; and (v) a decrease in trade and other payables of approximately MOP29.5 million. Our net current assets position has been offset which was mainly due to (i) a decrease in trade and other receivables of approximately MOP12.9 million; (ii) a decrease in contract costs of approximately MOP36.3 million (iii) an increase in tax payable of approximately MOP3.4 million; and (iv) an increase in bank borrowings of approximately MOP10.3 million.

Our net current assets as at 31 December 2017 were decreased by approximately MOP247.2 million as compared to 31 December 2016 mainly due to (i) a decrease in trade and other receivables of approximately MOP12.9 million; (ii) a decrease in amounts due from related companies of approximately MOP15.0 million; (iii) a decrease in amount due from a director of approximately MOP284.6 million; (iv) a decrease in pledged bank deposits of approximately MOP2.6 million; (v) a decrease in bank balances and cash of approximately MOP13.3 million; and (vi) an increase in contract liabilities of approximately MOP7.5 million. The decrease of net current assets was partly offset by (i) an increase of contract assets of approximately MOP6.0 million; (ii) a decrease in trade and other payables of approximately MOP11.9 million; (iii) a decrease in amounts due to related companies of approximately MOP16.2 million; (iv) a decrease in amount due to a director of approximately MOP12.0 million; and (v) a decrease in bank borrowings of approximately MOP41.3 million.

Our net current assets as at 31 May 2018 increased by approximately MOP15.0 million as compared to 31 December 2017 which was mainly due to (i) an increase in trade and other receivables of approximately MOP20.8 million; (ii) a decrease in trade and other payables of approximately MOP10.2 million; (iii) a decrease in contract liabilities of approximately MOP7.6 million and was partially offset by a decrease in contract assets of approximately MOP22.2 million and an increase of tax payable of approximately MOP2.0 million.

Our net current assets as at 30 June 2018 slightly increased by approximately MOP0.9 million as compared to 31 May 2018 which was mainly due to an increase in trade and other receivables of approximately MOP16.7 million and was offset by an increase in trade and other payables of approximately MOP14.3 million and an increase in contract liabilities of approximately MOP2.2 million.

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Trade and other receivables

The following table sets forth a breakdown of our Group's trade and other receivables as at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018:

	At 31 December				At
	2014	2015	2016	2017	31 May
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Trade receivables, net of allowance for doubtful debts	37,243	41,967	37,249	18,470	34,450
Advances paid to subcontractors and suppliers	13,930	13,521	3,257	6,550	11,558
Deferred issue costs	—	—	967	4,384	5,225
Other receivables, prepayment and deposits	<u>1,631</u>	<u>2,300</u>	<u>3,398</u>	<u>2,597</u>	<u>1,587</u>
Total trade and other receivables	<u><u>52,804</u></u>	<u><u>57,788</u></u>	<u><u>44,871</u></u>	<u><u>32,001</u></u>	<u><u>52,820</u></u>

Trade receivables

Trade receivables represent amounts receivable for work certified after deduction of retention money. In general, we submit payment application to our customers either in monthly basis or upon achieving key milestones. The payment is subject to the satisfaction of inspection and assessment by our customers, and they will issue the payment certificate. Our customers are normally required to make payment to us seven days to 60 days either from (i) the date of our payment application; or (ii) the receipt of the corresponding payments by our customers from the project owners, as the case may be.

The following is an aged analysis of trade receivables presented based on dates of work certified at the end of each reporting year, net of allowance for doubtful debts.

	At 31 December				At
	2014	2015	2016	2017	31 May
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
1 - 30 days	36,448	37,796	36,667	15,370	29,834
31 - 60 days	795	4,171	—	1,510	1,219
61 - 90 days	—	—	—	—	2,265
Over 90 days	—	—	582	1,590	1,132
	<u>37,243</u>	<u>41,967</u>	<u>37,249</u>	<u>18,470</u>	<u>34,450</u>
Trade receivables turnover days (<i>Note</i>)	22.3	36.2	38.9	54.9	41.6

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Note: Trade receivables turnover days are calculated based on the average of the beginning and ending balances of trade receivables divided by the revenue for the year and multiplied by the number of days of the year/period (i.e. 365 days for a full year and 151 days for the period)

Our trade receivables turnover days were approximately 22.3 days, 36.2 days, 38.9 days, 54.9 days and 41.6 days for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 respectively. The trade receivables turnover days represent the average number of days for us to collect payments from our customers. The lower of trade receivable turnover days for the year ended 31 December 2014 was mainly due to substantial collection of payments from customers have been completed before the year-end date. The year end balance of trade receivable has been reduced, hence the trade receivable turnover days was relatively short when comparing to 2015. The trade receivable turnover days for the years ended 31 December 2015 and 2016 were fairly stable as most of customers settled trade receivables around 30 days upon issuance of payment certificate and are in line with our credit terms. The increase in trade receivables turnover days for the year ended 31 December 2017 was mainly due to the substantial decrease of revenue. The trade receivables turnover days for the year ended 31 December 2017 had also been distorted due to the inclusion of beginning balance of trade receivables of a structural work project namely Project A5 in the calculation which was fully settled during the year ended 31 December 2017. The trade receivables turnover days for the five months ended 31 May 2018 was fairly stable as the trade receivable turnover days for the years ended 31 December 2015 and 2016 and was in line with our credit terms.

Before accepting any new customer, we assess the potential customer's credit quality and define credit limits by customers. Recoverability of the existing customers is reviewed by our management regularly.

As at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018, included in our Group's trade receivable balances were receivables with aggregate carrying amount of approximately MOP47,000, MOP1.8 million, MOP0.6 million, MOP3.1 million and MOP5.8 million, respectively, which were past due at the end of each reporting period for which our Group had not provided for impairment loss as these balances were either subsequently settled or there has not been a significant change in credit quality and the amounts were still considered recoverable due to the on-going relationship and good repayment record from these customers. Accordingly, our management believes that no impairment loss was required. Our Group does not hold any collateral over these balances.

Since the adoption of IFRS 9 on 1 January 2018, our Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9 as disclosed in Note 34 of the Accountants' Report as set out in Appendix I to this prospectus. The trade receivables are assessed individually for impairment allowance based on our Group's internal credit rating, historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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Aging of trade receivables which are past due but not impaired:

	At 31 December				At
	2014	2015	2016	2017	31 May
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Overdue					
1 - 30 days	47	1,813	—	—	1,209
31 - 60 days	—	—	—	1,510	1,219
61 - 90 days	—	—	—	—	2,265
Over 90 days	—	—	582	1,590	1,132
	<u>47</u>	<u>1,813</u>	<u>582</u>	<u>3,100</u>	<u>5,825</u>

Up to Latest Practicable Date, approximately MOP30.2 million or 87.8% of the trade receivables as of 31 May 2018 has been settled.

Movement in the allowance for doubtful debts

	At 31 December				At 31 May
	2014	2015	2016	2017	2018
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Balance at beginning of the year/period	13,223	13,223	13,223	3,170	533
Allowance for doubtful debts	—	—	3,170	—	—
Amounts written off as uncollectibles	—	—	(7,473)	—	—
Reversal of allowance upon recovery of amounts during the year	—	—	(5,750)	(2,637)	—
Balance at end of the year/period	<u>13,223</u>	<u>13,223</u>	<u>3,170</u>	<u>533</u>	<u>533</u>

Included in trade receivables are allowances for doubtful debts of MOP13.2 million, MOP13.2 million, MOP3.2 million, MOP0.5 million and MOP0.5 million, for which the amounts have aged over one year or the debtor is in severe financial difficulty, as at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018, respectively.

The allowance of doubtful debts of MOP13.2 million as at 31 December 2014 and 2015 is in relation to the outstanding receivable associated with certain projects under the same main contractor. Those projects had been completed in the financial years of 2009. The main contractor withheld the settlement amount for some disagreement on claims amount and negotiations had been undergoing and

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mutual agreement had not been reached till 2011. In the opinion of our management, the amount was considered as irrecoverable in the year of 2011 as the negotiation had no substantial progress. Subsequently during the year of 31 December 2016, our management eventually reached an agreement with this counterparty in final settlement of MOP5.8 million out of MOP13.2 million and hence the amount of MOP5.8 million was recognised as bad debts recovered and MOP7.5 million was written off as uncollectible respectively, in the year ended 31 December 2016.

During the year ended 31 December 2016, there was a trade receivable amounting to MOP2.6 million due from a customer which had financial difficulties and its parent company was suspended from trading on the Stock Exchange since April 2017. In the opinion of the management of our Group, the amount was considered irrecoverable and a full provision of the amount was made.

During the year ended 31 December 2017, the management of our Group had recovered partially the amount of MOP1.1 million from the customer and subsequently, in February 2018, an additional amount of MOP1.5 million was further recovered as final settlement. Accordingly, MOP2.6 million was recognised as a reversal of allowance and credited to other gains and losses during the year ended 31 December 2017.

In determining the recoverability of a trade receivables, our Group considers any change in credit quality of the trade receivables from the date credit was initially granted up to the end of each reporting period. The management of our Group is of the opinion that no further provision is required in excess of the allowance for doubtful debts.

Advances paid to subcontractors and suppliers

Advance paid to subcontractors and suppliers mainly represents advancement to subcontractors and suppliers for the purchase of materials for fitting-out works at the preparation stage. The amount will be recognised as subcontracting charges at the later stage with reference to the value of works completed of the projects. The balance as at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018 was approximately MOP13.9 million, MOP13.5 million, MOP3.3 million, MOP6.6 million and MOP11.6 million, respectively.

Other receivables, prepayment and deposits

Other receivables, prepayment and deposits mainly comprised of bank interest and consultancy fee receivable, rental deposits, utilities deposits, prepaid rent, insurance and professional fees etc.

Contract assets (liabilities)/Contract costs

A contract asset represents our Group's right to consideration in exchange for services that our Group has transferred to a customer that is not yet unconditional. In contract, a receivable represents our Groups' unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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A contract liability represents our Group's obligation to transfer services to a customer for which our Group has received consideration (or an amount of consideration is due) from the customer.

Contract asset is recognised when (i) our Group completes the structural works and fitting-out work under such services contracts but yet certified by architects, surveyors or other representatives appointed by customers, or (ii) our customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the output method then our Group recognises a contract liability for the difference.

The following table sets forth a breakdown of the contract assets and liabilities as at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018:

	At 31 December				At
	2014	2015	2016	2017	31 May
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Analysed for reporting purposes, on a net basis for each respective contract, as:					
Contract assets	43,837	45,074	47,981	53,987	31,795
Contract liabilities	<u>(14,770)</u>	<u>(971)</u>	<u>(1,599)</u>	<u>(9,087)</u>	<u>(1,505)</u>
	<u>29,067</u>	<u>44,103</u>	<u>46,382</u>	<u>44,900</u>	<u>30,290</u>

As at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018, contract assets and liabilities include retention receivables held by customers for contract works amounting to MOP34.6 million, MOP40.3 million, MOP42.7 million, MOP51.7 million and MOP30.5 million, respectively.

Retention receivables represent the retention money required by our Group's customers to secure the due performance of the contracts. Pursuant to the construction contracts, our customers are entitled to withhold a certain percentage of each interim payment to secure the due performance of our Group, and generally they will retain up to 10% of each interim payment and 5% to 10% of the total contract sum as retention money. Our customers will release 50% of the retention money upon issuance of the completion certificate or practical completion and the remaining 50% of the retention money after the end of defect liability period. The defect liability period is normally 3 to 24 months from issuance of the practical completion certificate or the practical completion subject to our customer's requirement. The amount is unsecured and interest-free.

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The continuous increase in retention receivables as at 31 December 2014, 2015, 2016 and 2017 was primarily due to: (i) the completed projects are still within the defect liability period and (ii) the accumulation of retention money from new projects, such as retention money for Projects D2 and D4 which have been withheld by our customers upon commencement of the project. The decrease in retention receivables as at 31 May 2018 was due to the release of retention receivables for the completed projects, mainly Project A1, A6 and B1, after the expiry of the defect liability period.

As at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018, contract assets and liabilities include advances received from customers amounting to MOP24.3 million, MOP4.4 million, MOP1.4 million, MOP7.0 million and nil, respectively.

Advance received from customers mainly represents advancement paid by our customers for the purchase of materials for either structural/fitting-out works at the preparation stage. The amount will be recognised as revenue on our certified periodic payment application subsequently with reference to the value of works completed of the project during the work done period. As at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018, we had 6, 2, 1, 1 and nil project(s) with advance received from customers, respectively.

The changes in contract assets and liabilities are due to i) adjustments arising from changes in the measure of progress of contracting work, or ii) reclassification to trade receivables when our Group has unconditional right to the consideration.

For the years ended 31 December 2014, 2015, 2016 and 2017, the aggregate amount of contract assets recognised for construction works performed but yet certified (excluding retention receivables and advances received from customers) were approximately MOP18.7 million, MOP4.1 million, MOP4.2 million and MOP2.3 million, respectively, which were fully certified in subsequent year. For the five months ended 31 May 2018, the contract assets recognised for construction works performed but yet certified was approximately MOP1.5 million. Such amount was fully certified up to the Latest Practicable Date.

Contract liabilities as at the end of each reporting period are recognised as revenue in subsequent year.

Since the adoption of IFRS 9 on 1 January 2018, our Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9 as disclosed in Note 34 of the Accountants' Report as set out in Appendix I to this prospectus.

Contract costs of MOP36.3 million as at 31 December 2015 represent the cost incurred to fulfill the construction contract for provision of fitting-out works.

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Trade and other payables

The following table sets forth a breakdown of our trade and other payables as at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018:

	At 31 December			At 31 May	
	2014	2015	2016	2017	2018
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Trade payables	23,723	33,072	12,203	15,013	4,443
Retention payables	27,745	32,627	27,618	24,365	23,873
Accrued contract costs	47,264	67,298	63,876	54,167	59,774
Accruals and other payables	8,045	6,991	7,465	10,071	5,295
Provision for onerous contracts	<u>—</u>	<u>5,030</u>	<u>4,309</u>	<u>—</u>	<u>—</u>
Total trade and other payables	<u>106,777</u>	<u>145,018</u>	<u>115,471</u>	<u>103,616</u>	<u>93,385</u>

Trade payables

Our trade payables represent primarily payables to construction subcontractors and material suppliers. Our trade payables are interest-free.

We generally settle our subcontractors' invoices within seven days to 60 days either after (i) date of payment application by our subcontractors, or (ii) the receipt of the corresponding payments by us from our customers. For interim payments, our subcontractors are required to provide us with a payment application and we assessed and approved their application on a monthly basis. Generally, in respect of final payment, after the practical completion of the works under the subcontract or the project, we will release the final payment to our subcontractor subject to the final account settlement (including the remaining 50% of the retention money). Unless otherwise agreed, we usually hold up to 10% of each interim payment to our subcontractor as retention money.

We generally settle our supplier's invoices by cheque or bank transfer within 90 days from the date of invoice or delivery date of the relevant purchases to us.

Our trade payables as at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018 was approximately MOP23.7 million, MOP33.1 million, MOP12.2 million, MOP15.0 million and MOP4.4 million, respectively. By comparing the trade payables balances as at 31 December 2014 and 2015, our trade payables increased by approximately MOP9.3 million. Our trade payables balances as at 31 December 2016, 31 December 2017 and 31 May 2018 are decreased by MOP20.9 million, increased by approximately MOP2.8 million and decreased by approximately MOP10.6 million, respectively.

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The following is an aged analysis of trade payables presented based on the certified periods at the end of each reporting period:

	At 31 December			At 31 May	
	2014	2015	2016	2017	2018
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
1 - 30 days	23,723	33,072	11,730	15,013	4,420
31 - 60 days	—	—	119	—	3
Over 61 days	—	—	354	—	20
	<u>23,723</u>	<u>33,072</u>	<u>12,203</u>	<u>15,013</u>	<u>4,443</u>
Trade payables turnover					
days (<i>Note</i>)	13.8	29.8	26.4	36.7	20.4

Note: Trade payables turnover days are calculated based on the average of the beginning and ending balances of trade payables divided by the cost of sales for the year and multiplied by the number of days of the year/period (i.e. 365 days for a full year and 151 days for the period)

Our trade payables turnover days for the years ended 31 December 2014, 2015, 2016 and 2017 and 31 May 2018 were approximately 13.8, 29.8, 26.4, 36.7 and 20.4 days respectively. Our trade payables turnover days are generally in line with our subcontractor credit term of 7 to 60 days as our trade payables mainly consists of cost incurred by subcontractors.

Our trade payables turnover during Track Record Period was fairly stable except for the year ended 31 December 2014 and the five months ended 31 May 2018. The lower trade payable turnover days was mainly due to the cost incurred by two substantially completed projects, namely Project D3 and Project A1, have been settled in 2014 and two substantially completed projects, namely Project C3 and D2, have been settled in the five months ended 31 May 2018, respectively. Thus, outstanding trade payables balance as at the end of the corresponding reporting period has been reduced.

Up to Latest Practicable Date, approximately MOP4.4 million or 99.5% of the trade payables as of 31 May 2018 had been settled.

Retention payables

Retention payables represent the retention money withheld up to 10% of each interim payment to our subcontractor. The first 50% of retention money withheld is usually released to our subcontractors after practical completion of the works under the subcontract and final account settlement and the remaining 50% of retention money will be released after the expiry of the defect liability period.

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The retention payables are to be settled, based on the expiry of maintenance period, at the end of each reporting period as follows:

	At 31 December			At 31 May	
	2014	2015	2016	2017	2018
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Within one year	2,897	1,251	14,542	14,932	13,917
After one year	<u>24,848</u>	<u>31,376</u>	<u>13,076</u>	<u>9,433</u>	<u>9,956</u>
	<u>27,745</u>	<u>32,627</u>	<u>27,618</u>	<u>24,365</u>	<u>23,873</u>

Accrued contract costs

Accrued contract cost mainly represented the costs incurred for work done performed by subcontractors but invoices/progress payment applications are yet to receive by us at the year/period end date.

Our accrued contract costs increased from approximately MOP47.3 million as at 31 December 2014 to approximately MOP67.3 million as at 31 December 2015, decreased to approximately MOP63.9 million as at 31 December 2016, then decreased to approximately MOP54.2 million as at 31 December 2017 and increased to approximately MOP59.8 million as at 31 May 2018. The fluctuations were mainly due to the timing difference of billing by the subcontractors.

Accruals and other payables

Accruals and other payables mainly comprises of accrued staff salaries and bonus as well as accrued expenses for professional fees. Our accruals as at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018 were approximately MOP8.0 million, MOP7.0 million, MOP7.5 million, MOP10.1 million and MOP5.3 million, respectively. The amount of accruals and other payables as at 31 December 2014, 2015 and 2016 were fairly stable. As at 31 December 2017, the increase was mainly due to the increase in accrued staff salaries and accrued professional fees. At 31 May 2018, the decrease was mainly due to the decrease in accrued staff salaries and accrued professional fees.

Provision of onerous contracts

An onerous contract is considered to exist where our 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. Thus, the present obligations arising under onerous contracts as recognised and measured as provisions.

As of 31 December 2014, 2015, 2016, 2017 and 31 May 2018, we have nil, 2, 2, nil and nil onerous contracts and recognised as provision, respectively.

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Amounts due from/to related companies/a director

The details of the amounts due from/to related companies/a Director as at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018, please refer to Note 18 of the Accountant's Report as set out in Appendix I to this prospectus. All other amounts due from/to related companies and a Director had been fully settled on or before 30 June 2017.

Bank borrowings and bank overdrafts

	At 31 December				At
	2014	2015	2016	2017	31 May
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Bank borrowings	51,575	30,945	41,260	—	—
Bank overdrafts	42,161	430	93	—	—

All bank borrowings are repayable within one year and carry variable interest ranging from fixed deposit interest rate plus 0.5% to prevailing best lending rates quoted by the banks in Macau (the "Prime Rate") plus 0.5% per annum. The above bank borrowings are secured by the bank deposits amounting to MOP44.5 million, MOP42.1 million and MOP43.0 million, as at 31 December 2014, 2015 and 2016, respectively, and promissory notes endorsed by SFS Construction Macau, and are guaranteed by Mr. Lao and Mrs. Lao. The weighted average effective interest rate on the loans as at 31 December 2014, 2015 and 2016 is approximately 4.05%, 2.77% and 2.60% per annum, respectively. As at 31 December 2017 and 31 May 2018, we had no outstanding bank borrowings.

Besides, the banking facilities (mainly the performance guarantees, details of which are set out in the paragraph headed "Performance guarantees/Bid bonds" in this section) of our Group were secured by:

- (i) a legal charge over an office premise originally held by Ms. Vicki Lao, Ms. Athena Lao and Ms. Lao Choi Ian (a daughter of Mr. Lao and Mrs. Lao) as at 31 December 2014 and 2015 and had been discharged before the disposal, and such office premise was acquired by our Group during the year ended 31 December 2016, and was charged over to bank by our Group as at 31 December 2016, 2017 and 31 May 2018;
- (ii) two residential properties held by Ms. Vicki Lao, Ms. Athena Lao and Ms. Lao Choi Ian as at 31 December 2014 and such residential properties were released during the year ended 31 December 2015, and a residential property held by Mr. Lao as at 31 December 2014, 2015 and 2016 and such security was released during the year ended 31 December 2017;

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- (iii) the remaining balance of pledged bank deposits other than the amount described above, details of which are set out in the paragraph headed “Pledged of assets” in this section; and
- (iv) promissory notes endorsed by SFS Construction Macau and guaranteed by Mr. Lao, Mrs. Lao, Ms. Vicki Lao and Ms. Athena Lao as at 31 December 2014 and 2015. During the year ended 31 December 2016, the guarantees given by Ms. Vicki Lao and Ms. Athena Lao were released, and Mr. Lao and Mrs. Lao continued to give the guarantees as at 31 December 2016, 2017 and 31 May 2018. Our directors expect that, the aforesaid guarantees provided by our Controlling Shareholders to our Group in the banking facilities are expected to be released upon the Listing.

As at 30 June 2018, our Group had jointly used and committed available banking facilities of MOP223.9 million of which MOP110.2 million was utilised.

Secured bank overdrafts carry interest at fixed deposit rate plus 0.25% per annum and is repayable on demand.

Performance guarantees/Bid bonds

At 31 December 2014, 2015, 2016 and 2017 and 31 May 2018, performance guarantees of MOP66.6 million, MOP87.5 million, MOP109.4 million, MOP99.3 million and MOP107.9 million, respectively, were given by banks in favour of our Group’s customers as security for the due performance and observance of our Group’s obligations under the contracts entered into between our Group and its customers. At 31 December 2014, 2015, 2016 and 2017 and 31 May 2018, bid bonds of nil, nil, nil, approximately MOP18.3 million and MOP21.3 million, respectively, were given by banks in favour of the project owners as guarantee to ensure the winning bidder will undertake the construction contract they bid for. If our Group fails to provide satisfactory performance to its customers / undertake the winning contract to whom these guarantees have been given, such customers / project owners may demand the banks to pay to them the sum or sum stipulated in such demand. Our Group will become liable to compensate such banks accordingly. These guarantees will be released upon completion of the contract works / release of bidding result. These guarantees were granted under the banking facilities with details as set out in the paragraph headed “Bank borrowings and bank overdrafts” in this section.

Project code	Description of project	Provision of services	Performance guarantees/Bid bonds given						
			Awarded contract sum	At 31 December				At 31 May	At 30 June
			MOP'000	2014 MOP'000	2015 MOP'000	2016 MOP'000	2017 MOP'000	2018 MOP'000	2018 MOP'000
A1	Transfer plate in a hotel in Cotai, Macau	Structural works	82,265	4,113	4,113	4,113	—	—	—
A4	Basement in a hotel in Cotai, Macau	Structural works	26,978	2,698	—	—	—	—	—

(unaudited)

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Project code	Description of project	Provision of services	Awarded contract sum <i>MOP'000</i>	Performance guarantees/Bid bonds given					
				At 31 December				At 31 May	At 30 June
				2014 <i>MOP'000</i>	2015 <i>MOP'000</i>	2016 <i>MOP'000</i>	2017 <i>MOP'000</i>	2018 <i>MOP'000</i>	2018 <i>MOP'000</i>
A5	Reinforced concrete works in a hotel in Cotai, Macau	Structural works	221,710	—	22,171	22,171	22,171	22,171	—
A6	Carcass works in a hotel in Cotai, Macau	Structural works	266,350	13,317	13,317	13,317	—	—	—
B1	Waiting area of a tourist attraction site in a hotel in Cotai, Macau	Fitting-out works	56,136	16,841	5,614	—	—	—	—
B2	Chinese restaurant in a hotel in Cotai, Macau	Fitting-out works	29,525	8,857	2,952	—	—	—	—
B3	Japanese restaurant in a hotel in Cotai, Macau	Fitting-out works	24,655	2,466	2,466	2,466	2,466	—	—
B8	Beverage area in a hotel in Cotai, Macau	Fitting-out works	11,644	3,493	1,164	—	—	—	—
B11	A restaurant in a hotel in Cotai, Macau	Fitting-out works	19,000	1,900	1,900	1,900	1,900	3,800	1,900
D1	Guestrooms in a hotel in Cotai, Macau	Fitting-out works	231,889	—	23,189	23,189	23,189	23,189	23,189
D2	Hotel tower in Cotai, Macau	Fitting-out works	126,875	—	—	31,719	44,406	44,406	44,406
D3	Basement in a hotel in Cotai, Macau	Fitting-out works	91,550	10,986	9,155	9,155	—	9,155	9,155
D4	Spa and gym located in a hotel in Cotai, Macau	Fitting-out works	51,575	—	—	—	5,158	5,158	5,158
D11	Nursery in Macau	Fitting-out works	N/A	—	—	—	—	400	400
F1	A restaurant in a hotel in Cotai, Macau	Fitting-out works	11,139	1,114	1,114	1,114	—	—	—
F2	A commercial building in Macau	Fitting-out works	9,938	497	—	—	—	—	—

(unaudited)

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Project code	Description of project	Provision of services	Awarded contract sum <i>MOP'000</i>	Performance guarantees/Bid bonds given					
				At 31 December				At 31 May	At 30 June
				2014 <i>MOP'000</i>	2015 <i>MOP'000</i>	2016 <i>MOP'000</i>	2017 <i>MOP'000</i>	2018 <i>MOP'000</i>	2018 <i>MOP'000</i>
F3	Back office area in a hotel in Cotai, Macau	Fitting-out works	5,984	299	299	299	—	—	—
N4	Public Facility in Macau	Fitting-out works	N/A	—	—	—	—	—	400
	Others	Fitting-out works/structural works	N/A	—	—	—	18,256	20,925	25,525
			66,581	87,454	109,443		117,546	129,204	110,133

Note: 1. Save for the projects D11 and N4, the remainings were performance guarantees issued to our Group's customers. Bid bonds were issued for projects D11 and N4 for tendering projects from Macau government.
2. Others represent unsuccessful tender submissions with bid bonds issued but yet to release.

Pledge of assets

The following assets were pledged to secure our bank borrowings, bank overdrafts as well as our credit facilities during the Track Record Period:

	At 31 December				At 31 May
	2014 <i>MOP'000</i>	2015 <i>MOP'000</i>	2016 <i>MOP'000</i>	2017 <i>MOP'000</i>	2018 <i>MOP'000</i>
Leasehold land and buildings included in property, plant and equipment (<i>Note</i>)	—	—	46,367	44,962	44,377
Pledged bank deposits	96,049	55,303	67,722	65,169	65,575
	96,049	55,303	114,089	110,131	109,952

Note: As at 31 December 2014 and 2015, the leasehold land and buildings was held by Ms. Vicki Lao, Ms. Anthea Lao and Ms. Lao Choi Ian. On 28 December 2016, the ownership of such leasehold land and buildings was transferred to our Group at a consideration at HK\$43.5 million (equivalent to approximately MOP44.9 million) which was settled by netting off the outstanding balance of amounts due from a director.

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Pledged bank deposits represent deposits pledged to a bank to secure banking facilities and bank borrowings granted to our Group. As at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018, the pledged bank deposits carried an average fixed interest rate of approximately 1.97%, 1.73%, 1.44%, 1.46% and 1.46% per annum, respectively.

Share capital and reserve of our Company

On 23 February 2017, our Company was incorporated in the Cayman Islands as an exempted company with limited liability with an initial authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each.

The share capital as at 31 December 2014, 31 December 2015 and 31 December 2016 represented the issued and fully paid share capital of SFS BVI. The share capital as at 31 December 2017 and 31 May 2018 represented the share capital of our Company.

Details of movements of share capital of our Company are as follows:

	Number of Shares	Share capital <i>MOP'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 23 February 2017 (date of incorporation of our Company), 31 December 2017 and 31 May 2018	<u>38,000,000</u>	<u>391</u>
Issued:		
As at 23 February 2017 (date of incorporation of our Company), 31 December 2017 and 31 May 2018	<u>20,000</u>	<u>—[#]</u>

[#] *Less than MOP1,000*

Details of movements of the reserve of our Company are as follow:

	<i>MOP'000</i>
Accumulated loss	
As at 23 February 2017 (date of incorporation of our Company)	—
Loss and total comprehensive expense for the period	<u>(10,251)</u>
As at 31 December 2017	(10,251)
Loss and total comprehensive expense for the period	<u>(1,854)</u>
As at 31 May 2018	<u>(12,105)</u>

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Our Company's accumulated loss mainly arose from listing expenses borne by our Company during the periods from the date of incorporation to 31 December 2017 and from 1 January 2018 to 31 May 2018. In the opinion of our Directors, it will be recovered upon the distribution of dividend from the subsidiaries of our Group in the near future.

INDEBTEDNESS AND CONTINGENT LIABILITIES

At the close of business on 30 June 2018, being the latest practicable date for the purpose of ascertaining the indebtedness of our Group prior to the printing of this Prospectus, the details of our Group's indebtedness and contingent liabilities are as follows:

Bank borrowings

As at the close of business on 30 June 2018, our Group had no outstanding bank borrowings.

Bank overdrafts

As at the close of business on 30 June 2018, our Group's bank overdraft amounted to approximately MOP0.1 million, which was secured by bank deposit of approximately HK\$5.2 million (equivalent to approximately MOP5.3 million) and promissory note endorsed by SFS Construction Macau, and guaranteed by Mr. Lao and Mrs. Lao, which will be released upon Listing.

Performance guarantees/Bid bonds

As at the close of business on 30 June 2018, our Group had performance guarantees and bid bonds of approximately MOP83.8 million and MOP26.3 million respectively, which the performance guarantees were given by banks in favour of our Group's customers and property owners as security for the due performance and observance of our Group's obligations under the contracts entered into between our Group and its customers, and the bid bonds were given by banks in favour of the property owners to ensure we will undertake the construction contract if the bid is awarded to us. The aforesaid performance guarantees and bid bonds were secured by certain bank deposits of our Group and promissory notes endorsed by SFS Construction Macau, and guaranteed by Mr. Lao and Mrs. Lao.

Charge over assets

As at the close of business on 30 June 2018, there was a legal charge over an office premise held by our Group to secure general banking facility grant to our Group.

Banking facilities

As at the Latest Practicable Date, our Group had unutilised banking facilities of approximately MOP110.6 million.

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Saved as disclosed above, our Group did not have, as at 30 June 2018, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other contingent liabilities.

WORKING CAPITAL SUFFICIENCY

Our Directors have confirmed that we have sufficient working capital for our requirements for at least the next 12 months from the date of this prospectus, taking into account our cash flows from operations, our available banking facilities and the estimated net proceeds from the Global Offering.

CAPITAL COMMITMENT

As at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018, we had no significant capital commitment.

OPERATING LEASE COMMITMENT

As at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018, our Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 December			At 31 May	
	2014	2015	2016	2017	2018
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Within one year	842	993	151	—	—
In the second to fifth year inclusive	<u>842</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>1,684</u>	<u>993</u>	<u>151</u>	<u>—</u>	<u>—</u>

Leases are negotiated for an average term of one to three years and rentals are fixed throughout the lease period.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, our Group did not have any material off-balance sheet arrangements or commitments save as disclosed in the paragraphs headed “Operating lease commitment” and “Performance guarantees/Bid bonds” in this section.

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RELATED PARTY TRANSACTIONS

Our related party transactions are summarised in Note 30 of the Accountants' Report as set out in Appendix I to this prospectus. Our Directors confirmed that all the related party transactions were conducted at arm's length and on normal commercial terms, and furthermore that they did not distort our results during the Track Record Period or make such results not reflective of our future performance. The details of material related party transactions include the following:

1. Revenue received from Fu Tat Lei

The transactions with Fu Tat Lei related to the residential construction project located at Taipa, Macau, which our Group acted as a main contractor for structural works (Project A2) and fitting-out contractor (Project B5), and which the construction contracts were awarded by way of tender procedures. In October 2011, SFS Construction Macau was successful in the tender and entered into the construction contract for Project A2 with Fu Tat Lei for structural works, and thereafter commenced the structural works until October 2012. Furthermore, in September 2012, SFS Construction Macau was successful in the tender and entered into the construction contract for Project B5 with Fu Tat Lei for the fitting-out works, which had not commenced after signing the construction contract. The construction works for both Project A2 and Project B5 were suspended pending for obtaining the government approvals by Fu Tat Lei until September 2014. Having considered that the construction had been suspended for around two years, and the subcontracting fees, the construction material costs and labour costs had increased during the suspension period, SFS Construction Macau therefore entered into the supplemental agreements with Fu Tat Lei in order to revise the respective contract sums for Project A2 and Project B5 in October 2014 and April 2015, respectively. In determining the pricing of the initial construction contracts for both Project A2 and Project B5, we had taken into account various factors, including the scope, complexity and specifications of the project, capacity, prevailing competitiveness and financial condition of our Group, the availability of manpower and expertise, the quotations from suppliers and subcontractors, materials price trend, wage trend, and previous tender records. In determining the pricing for the supplemental agreements for Project A2 and Project B5, we took into account the quotation from suppliers and subcontractors, as well as raw materials price trend. The contract sum of Project A2 and Project B5 were increased by approximately MOP13.8 million and approximately MOP6.8 million, respectively. Such increase reflected the increase in major construction cost, such as material cost of concrete and steel bars, and the subcontracting fees.

The key terms of the initial construction contract of Project A2 are summarised as follows:

Date of contract:	6 October 2011
Scope of works:	The scope of works and services to be undertaken by us, and the specifications and requirements under the structural construction of residential property in Taipa, Macau
Contract sum:	Approximately MOP34.3 million
Insurance:	Our Group would maintain insurance policies against our employees and the workers of our subcontractors.

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Final payment: The statement of final account together with supporting documentation showing in detail the total amount payable in respect of the construction works must be submitted to the customer within 30 days after the practical completion.

Defect liability period and retention monies: The defect liability period was 24 months from the practical completion, and 10% of the total contract sum was provided as retention money.

The key terms of the supplemental agreement of Project A2 are summarised as follows:

Date of contract: October 2014

Additional contract sum: Approximately MOP13.8 million

Other terms: Other terms in the initial construction contract remained unchanged.

The key terms of the initial construction contract of Project B5 are summarised as follows:

Date of contract: September 2012

Scope of works: The scope of works and services to be undertaken by us, and the specifications and requirements under the fitting-out works of residential property in Taipa, Macau

Contract sum: Approximately MOP15.3 million

Insurance: Our Group would maintain insurance policies against our employees and the workers of our subcontractors.

Final payment: The statement of final account together with supporting documentation showing in detail the total amount payable in respect of the construction works should be submitted within 30 days after the practical completion.

Defect liability period and retention monies: The defect liability period was 24 months from the practical completion, and 10% of the total contract sum was provided as retention money.

The key terms of the supplemental agreement of Project B5 are summarised as follows:

Date of contract: 6 April 2015

Additional contract sum: Approximately MOP6.8 million

Other terms: Other terms in the initial construction contract remained unchanged.

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The revenue received from Fu Tat Lei for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 was approximately nil, MOP49.9 million, MOP7.9 million, nil and nil respectively. The tender price submitted to Fu Tat Lei for Project A2 was based on the construction method stated and required in the tender invitation document and with reference to the market price of relevant construction cost which provided approximately 15% of profit margin when submitting tender given the budgeted cost of MOP29.08 million. During the construction period, based on the actual soil report and the site condition, our Group had used a more cost effective construction method for the substructure part of Project A2 in the first quarter of 2012 which the entire construction method was acknowledged by Fu Tat Lei, and the internal revised budgeted gross profit margin based on the management best estimation under the new construction method had been improved to approximately 36.9% as the new construction method had substantially lowered the budgeted cost (mainly cost of piling works) by approximately MOP7.5 million. After the substructure part of the project has been completed in October 2012, the gross profit margin of project A2 was recorded at approximately 38.2% in 2012. The construction work had been suspended since then. Since the original contracts for Project A2 and B5 did not allow price adjustments, SFS Construction Macau and Fu Tat Lei had to enter into supplemental contracts to reflect the increased construction costs. In October 2014, our Group and Fu Tat Lei had agreed to revise contract sum for Project A2 after having considered the prolonged delay for around two years due to the pending of government approvals to Fu Tat Lei during which the market condition had changed and the construction cost for the remaining superstructure part of Project A2 had increased. We therefore revised the contract sum of Project A2 to reflect the increment in construction cost. Our Group revised the budgeted cost to approximately MOP30.4 million with budgeted gross profit margin of approximately 36.7% based on the revised contract sum of approximately MOP48.0 million when the supplemental contract was entered into in 2014. As such, our Directors considered that the high gross profit margin of Project A2 was mainly attributable to our Group's ability in implementing a cost effective construction method for the substructure part according to the actual site condition that substantially lowered the cost of sales incurred.

The budgeted costs for Project B5 when the respective construction contract was entered into in 2012 was approximately MOP14.21 million with the budgeted gross profit margin of approximately 7% based on the initial contract sum of Project B5 of approximately MOP15.3 million. While the budgeted costs for Project B5 when the supplemental contract was entered into in 2015 was approximately MOP21.0 million with the budgeted gross profit margins of approximately 5% based on the revised contract sum of approximately MOP22.1 million.

The actual revenue recognised for Project A2 for each of the years ended 31 December 2011, 2012, 2013, 2014, 2015 and 2016 were nil (unaudited), approximately MOP18.16 million (unaudited), nil (unaudited), nil, approximately MOP27.87 million and approximately MOP4.87 million, respectively, while the actual gross profit margins recognised for Project A2 were nil (unaudited), approximately 38.2% (unaudited), nil (unaudited), nil, approximately 35.1% and approximately 44.5%, respectively. The overall project gross profit margin was approximately 37.2%.

The actual revenue recognised for Project B5 for each of the years ended 31 December 2012, 2013, 2014, 2015 and 2016 were nil (unaudited), nil (unaudited), nil, approximately MOP22.00 million and approximately MOP3.08 million, while the actual gross profit margins recognised for

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Project B5 were nil (unaudited), nil (unaudited), nil, approximately 4.7% and approximately 40%, respectively. The overall project gross profit margin was approximately 9.1% which was within the range of the average gross profit margin of our Group's fitting out projects of approximately 11.9%, 9.2% and 10.1% for the three financial years ended 31 December 2016.

Our Directors confirmed that the transactions with Fu Tat Lei were conducted in an ordinary and usual course of business and on normal commercial terms, at arm's length and as well as the interest of our Group and our Shareholders as a whole, after taking into account the key terms of arrangements that our Group has had with other Independent Third Party customers in projects with those with Fu Tat Lei, including but not limited to, the terms of payment and retention money, defect liability period, and contract sums.

Fu Tai Lei is a project company that had only one real estate project of residential development in Taipa, Macau. The real estate project was a seven-storey building with 28 residential units and six commercial units. To the best knowledge of our Directors, and upon reasonable enquiry, Fu Tat Lei had recorded around MOP490 million revenue with profit making during the Track Record Period, and it had no outstanding debt as at 31 December 2017 and had not committed any material non-compliance.

During the Track Record Period, SFS Construction Macau was the main contractor of the only residential development project of Fu Tat Lei at the relevant time. During the Track Record Period, Fu Tat Lei relied on our Group and our Group's subcontractors to carry on its only project. Based on the information provided by Fu Tat Lei, SFS Construction Macau was not the only contractor that Fu Tat Lei would consider and had invited for tender.

Save for the engagement of Project A2 and Project B5 and the contracts entered into between Fu Tat Lei and our Group and the investment in Fu Tat Lei by Red Development, there is no other past or present connected relationships or transactions (including, without limitation, fund flows) between our Group and any of the three shareholders of Fu Tat Lei other than Red Development and their respective associates.

2. Management fee paid to Wa Fa Kin Ip Engineering Co. Ltd ("Wa Fa")

The transactions with Wa Fa mainly represented the services relating to management and supervision of daily operation at the construction sites. Taking into account the enriched experience and expertise of Mr. Ip Kin Wa ("**Mr. Ip**"), our executive Director, in managing the construction projects efficiently and well-developed relationship with the subcontractors in Macau market, our Group had entered into management contracts with Wa Fa for four projects and the management fee was charged based on a fixed service fee and a certain percentage to the net profit derived from the relevant projects (revenue received from our Group after deducting all projects costs including materials costs, subcontracting charges and labour costs, etc.) after arm's length negotiation and were in line with the market range. All these contracts were terminated in July 2015, when Mr. Ip became the managing director of SFS Construction Macau. The management fee paid to Wa Fa for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 was approximately MOP7.0 million, MOP6.9 million, MOP4.6 million, nil and nil respectively. According to the Frost & Sullivan Report, it is common in the construction industry that a project manager or

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project management team will be appointed either internally or externally for project management services of the construction projects. We also considered the service provided by Wa Fa, where Mr. Ip was acting as the project manager, was similar to a key director/senior management of our Group supervising and overseeing our projects.

Our Group's revenue derived from the four projects in which Wa Fa was engaged for the provision of management services to our Group for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 were approximately MOP382.1 million, MOP165.1 million, MOP124.8 million, MOP11.4 million and MOP0.9 million, respectively, and the respective gross profit were approximately MOP38.9 million, MOP22.6 million, MOP31.0 million, MOP7.0 million and MOP2.6 million. Out of the four projects, the project gross profit margins of the three structural projects engaged with Wa Fa ranged from approximately 10.3% to 18.4% which were comparable to the gross profit margin of our Group's structural work projects during 2014 to 2016 ranging from approximately 7.1% to 37.2%; while the gross profit margin of the fitting-out project engaged with Wa Fa was approximately 32.2% which were comparable to our Group's gross profit margin of similar scale profit making fitting-out projects during 2014 to 2016 ranging from approximately 15.2% to 28.2%. Our Directors consider that the gross profit margins of these four projects were comparable to the gross profit margins of our Group's other similar projects.

Wa Fa is a company incorporated in Macau on 6 July 2010 which carried out construction works services and was owned as to 90% and 10% by Mr. Ip and his spouse respectively as at the Latest Practicable Date. Wa Fa is a construction company with registered capital of MOP50,000 financed by the personal savings of Mr. Ip and his spouse. During the Track Record Period, other than the public project carried out by the joint venture formed by itself and two construction companies which are Independent Third Parties, Wa Fa had substantially devoted its time on the four projects of our Group.

Wa Fa, during the relevant period, had been working on the awarded infrastructure project in the public sector. Wa Fa, at that relevant time, had formed a joint venture ("**JV Entity**") with 26% contribution to the capital of the JV Entity to provide project management services for that infrastructure project. It is noted that Wa Fa was entitled to a 26%-profit sharing by acting as the project manager of the infrastructure project. Although the engagement format of Wa Fa with its joint venture partners and our Group was different in a sense that Wa Fa had invested 26% of the capital of the JV Entity rather than solely entering into project management contract, the fact that (i) Wa Fa was the project manager out of the three joint venture partners; and (ii) the role of the 52%-joint venture partner to represent the joint venture partners to handle the engagement of the subcontract, financial reporting and other administrative works for the project on behalf of the JV Entity was similar to the role of our Group in tendering construction projects, engaging the subcontractors, handling financial reporting and other administrative works of the project, whereby Wa Fa was only responsible for providing the construction project management services, the 26%-profit sharing from the joint venture was considered to be higher than our Group's profit sharing ratio of 20% to Wa Fa after taking into the factors affecting the profit sharing rate such as capital invested, extent of liability to be borne by Wa Fa.

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In August 2013, our Group approached Mr. Ip for his willingness in re-joining our Group since our Group had been awarded some new and large-scale construction projects during the relevant time and considered Mr. Ip's project management ability as valuable. However, as Mr. Ip had been running Wa Fa's business, Mr. Ip would prefer Wa Fa to provide the management and supervision services for those projects of our Group when considering his engagement during the relevant time. As a result, our Group had instead engaged Wa Fa to provide the management and supervision services for those four construction projects while Mr. Ip served as Wa Fa's project manager to manage those projects of our Group.

In December 2013, while remaining as a director of Wa Fa, Mr. Ip re-joined our Group as a senior project manager only for facilitating the works of Wa Fa to manage and supervise the four construction projects (i.e. to communicate as the representative of our Group with the parties working on the projects, in particular, the subcontractors). Our Directors confirm that the monthly salary (the "Salary") paid to Mr. Ip of MOP15,000 during the period from December 2013 to June 2015 was deducted from the original monthly fixed fee of MOP50,000 paid to Wa Fa, representing the salary of Mr. Ip as the project manager of Wa Fa. As such, the monthly fixed fee provided to Wa Fa for its engagement of MOP50,000 per month (whether include the salary of the project manager representative or not) had indeed remained unchanged.

In July 2015, having considered the performance and contribution by Mr. Ip to our Group, as well as Mr. Ip's intention to develop his career within our Group and join the management team of our Group for future development, our Group appointed Mr. Ip as a director of SFS Construction Macau and all the contracts entered into between our Group and Wa Fa were then terminated to avoid any conflict of interest.

Based on the information provided by Wa Fa, the revenue of Wa Fa was approximately MOP42.4 million, approximately MOP10.3 million, approximately MOP4.6 million and nil in 2014, 2015, 2016 and 2017 respectively with profit making and had no debt as at 31 December 2017.

To the best knowledge of our Directors upon reasonable enquiry and search, there is no material non-compliance record of Wa Fa. Wa Fa currently has no intention to continue providing services in the industry as Mr Ip intends to devote his time and effort in our Group. As such, Wa Fa is not competing nor likely to compete with our Group. Our Directors confirmed that save for the employment relationship with Mr. Ip and the business relationship with Wa Fa as disclosed above, there is no past or present relationships or transactions (including, without limitation, fund flows) between our Group and Wa Fa, and their respective shareholders. Our Directors also confirmed that there is no overlap of customers or suppliers nor sharing of resources between our Group and Wa Fa. Moreover, Mr. Ip is well aware of his fiduciary duties as a Director to avoid any conflict to the interests to our Company. Moreover, he has also declared that he will not and he will procure Wa Fa not to compete directly or indirectly with our Group and, in particular, not to enter into any construction contracts nor carry out any construction related business.

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3. **Subcontracting service fee paid to San Iao Pong Construction & Engineering Co., Ltd. (“San Iao Pong”)**

The transactions with San Iao Pong during the Track Record Period mainly represented the subcontracting services provided by San Iao Pong to our Group for construction projects. The subcontracting services included but not limited to painting, cementing, surveying and machinery control. The relevant rates for the subcontracting services items were determined after arm’s length negotiation between our Group and San Iao Pong. There was no appropriate comparable to the services provided by San Iao Pong to our Group available as we were the only customer of San Iao Pong. However, the relevant rates were either within or around the range of price of comparable services offered by other Independent Third Parties in the market and/or the market average rates provided by the Macau Statistics and Census Services. They were also at normal commercial terms. The subcontracting service fee paid to San Iao Pong for the years ended 31 December 2014, 2015, 2016 and 2017 (including the period before Ms. Vicki Lao acquired equity interest of San Iao Pong in September 2014 and after Ms. Vicki Lao had disposed her equity interest in San Iao Pong on 7 March 2017) and the five months ended 31 May 2018 was approximately MOP2.1 million, MOP3.1 million, MOP3.5 million and MOP1.8 million and nil, respectively.

San Iao Pong was established in 2002 by Mrs. Lao as to 60% interest and an independent third party (“**SIP Founder**”) as to 40% interest, with extensive experience in construction project management (in particular on the business operation of foundation, demolition works and general building works) focused on providing construction works (foundation and demolition works and general building work services) of construction projects in Macau with business introduced by the two shareholders, therefore San Iao Pong has provided foundation and demolition works and general building work services to our Group before 2010. Its business was mainly managed by SIP Founder at the relevant time. In 2010, the SIP Founder sold all his 40% shareholding to an Independent Third Party and focused on his own construction business. In view of the departure of SIP Founder and without the partner for managing the business, Mrs. Lao subsequently sold all her 60% shareholding to a merchant (“**SIP Owner**”) in construction and real estate industry who is an independent third party to our Group in 2011. Since then, the business of San Iao Pong had been scaled down. Save for the settlement of final accounts amount in 2012 and 2013 by our Group for subcontracting works provided by San Iao Pong for projects before 2010, San Iao Pong only provided subcontracting services, including but not limited to painting, cementing, surveying, machinery control, to our Group again in 2013. As our Group had been awarded with several new large-scale construction projects and in anticipation of the needs of subcontracting works, in particular with higher labour intensive works, our Group and San Iao Pong entered into construction service framework agreement in December 2013. Pursuant to such framework agreement, San Iao Pong agreed to provide services, including but not limited to painting, cementing, surveying, machinery control etc, to our Group upon request.

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In or around September 2014, Ms. Vicki Lao acquired 60% equity interest of San Iao Pong from SIP Owner in 2014 which carried out small-scale subcontracting services at that time. Ms. Vicki Lao was interested in acquiring San Iao Pong in 2014 because she believed the Macau construction market was growing and small-scale subcontracting services would be in demand at that period. San Iao Pong was an asset light company that had no fixed assets at the relevant time when Ms. Vicki Lao acquired her equity interest (being 60%) in San Iao Pong, at the consideration of MOP36,000 based on the paid up capital of relevant equity interests in San Iao Pong. The settlement date of the consideration was in September 2014. As the amount of consideration was not substantial, Ms. Vicki Lao settled the consideration with her own savings.

In order to devote more time in our Group and other community service positions, Ms. Vicki Lao disposed all of her 60% equity interest in San Iao Pong on 7 March 2017 at the same amount of MOP36,000 to the spouse of SIP Owner, who had been holding the rest of 40% equity interest in San Iao Pong since 2013.

San Iao Pong had an issued capital of MOP60,000. San Iao Pong was a small-scale subcontracting services provider during the Track Record Period. During the period from September 2014 to 7 March 2017, our Group is the only customer of San Iao Pong. Based on the unaudited financial information provided by San Iao Pong, the revenue of San Iao Pong was approximately MOP2.1 million, MOP3.1 million, MOP3.5 million for the financial years ended 31 December 2014, 2015 and 2016 respectively with the net loss of approximately MOP30,000, MOP22,000 and net profit of approximately MOP13,000 respectively. As confirmed by San Iao Pong, San Iao Pong has no material non-compliance issues during the period from September 2014 to 7 March 2017.

Given our Group has a pre-qualified list of subcontractors and owns labour to carry out similar subcontracting works performed by San Iao Pong and the past ownerships of San Iao Pong by Ms. Vicki Lao, to avoid confusion to potential investors and maintain a good corporate governance practice, our Directors consider not to enter into new subcontracting arrangement with San Iao Pong since September 2017 although Ms. Vicki Lao had disposed of her ownership.

4. Purchase of office premises

On 28 December 2016, SFS Construction Macau entered into a sale and purchase agreement with Ms. Vicki Lao, Ms. Athena Lao and Ms. Lao Choi Ian, pursuant to which SFS Construction Macau acquired six units of an office premises from Ms. Vicki Lao, Ms. Athena Lao and Ms. Lao Choi Ian at a consideration of approximately MOP44.9 million. The consideration was determined with reference to the market value of similar commercial properties at the vicinity.

PROPERTY, PLANT AND EQUIPMENT

Our property, plant and equipment consist of leasehold land & buildings, leasehold improvement, furniture, fixtures and equipment and motor vehicles. The carrying value of property, plant and equipment as at 31 December 2016, 31 December 2017 and 31 May 2018 of approximately MOP46.9 million, MOP45.6 million and MOP45.0 million, mainly comprised the office premises in Macau.

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DIVIDEND

We currently does not have a dividend policy and may distribute dividends by way of cash or by other means that we consider appropriate. In light of the following factors in determining whether dividends shall be declared and paid, a decision to declare and pay any dividends is subject to the absolute discretion of our Board, and any final dividend for a financial year will be subject to our Shareholders' approval:

- the results of operations;
- the cash flows;
- the financial condition;
- the Shareholders' interests;
- the general business conditions and strategies;
- the capital requirements;
- the payment by our subsidiaries of cash dividends to us; and
- other factors the Board may deem relevant.

During the year ended 31 December 2017, a dividend of MOP284.3 million was declared and settled through offsetting the amount due from Mr. Lao, a director of our Company.

KEY FINANCIAL RATIOS

		Year ended 31 December				Five months ended 31 May
		2014	2015	2016	2017	2018
	<i>Note</i>					
Net profit margin	1	6.9%	8.6%	11.3%	18.6%	16.9%
Return on total assets	2	7.2%	6.4%	7.3%	13.6%	N/A
Return on equity	3	13.8%	10.8%	11.1%	27.0%	N/A
Interest coverage	4	11.2 times	28.9 times	43.8 times	56.7 times	N/A
			At 31 December			At 31 May
		2014	2015	2016	2017	2018
Current ratio	5	1.2 times	1.4 times	2.6 times	1.7 times	1.9 times
Gearing ratio	6	35.6%	9.9%	11.0%	N/A	N/A
Debt to equity ratio	7	N/A	N/A	N/A	N/A	N/A

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Notes:

1. Net profit margin is calculated by the profit for each reporting period (excluding imputed interest income and listing expenses) divided by the revenue for each reporting period and multiplied by 100%.
2. Return on total assets is calculated by the profit for each reporting period (excluding imputed interest income and listing expenses) divided by the total assets as at the end of each reporting period and multiplied by 100%. N/A denotes not applicable as the ratio are not meaningful given the recorded profit for the period only represented amount for the five months ended 31 May 2018.
3. Return on equity is calculated by the profit for each reporting period (excluding imputed interest income and listing expenses) divided by the total equity as at the end of each reporting period. N/A denotes not applicable as the ratio are not meaningful given the recorded profit for the period only represented amount for the five months ended 31 May 2018.
4. Interest coverage is calculated by the profit before interest and tax (excluding imputed interest income and listing expenses) divided by the interest expenses for each reporting period.
5. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of each reporting period.
6. Gearing ratio is calculated based on total borrowings divided by the total equity as at the end of each reporting period and multiplied by 100%. Total borrowings includes bank borrowings and bank overdrafts.
7. Debt to equity ratio is calculated by dividing total debts minus bank balances and cash and pledged bank deposits with total equity as at the end of each reporting period.

Net profit margin

Our net profit margin (excluding imputed interest income and listing expenses) was approximately 6.9%, 8.6%, 11.3%, 18.6% and 16.9% for the year ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 respectively. The increase in net profit margin for the year ended 31 December 2015 was mainly due to (i) the decrease in administrative expenses and (ii) the decrease in finance costs as result of repayment of bank loans and bank overdrafts. The increase in net profit margin for the year ended 31 December 2016 was mainly attributable to (i) the increase in gross profit margin from structural works projects and (ii) the increase in other gains which was due to the reversal of doubtful debt. The increase in net profit margin for the year ended 31 December 2017 was mainly due to the increase in gross profit margin from both structural and fitting-out works projects. The decrease in net profit margin for the five months ended 31 May 2018 was mainly due to the decrease in gross profit margin for the five months ended 31 May 2018 resulting from the increase in contribution from non-commercial projects as part of our overall revenue which has lower gross profit margin.

Return on total assets

Our return on total assets was approximately 7.2%, 6.4%, 7.3% and 13.6% for the year ended 31 December 2014, 2015, 2016 and 2017, respectively. The return on total assets was relatively stable for the years ended except year ended 31 December 2017. Our increase in return on total assets for the year ended 31 December 2017 was mainly attributable to the significant decrease in total assets as a result of the settlement of amount due from a director.

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Return on equity

Our return on equity was approximately 13.8%, 10.8%, 11.1% and 27.0% for the year ended 31 December 2014, 2015, 2016 and 2017 respectively. The decrease in our return on equity for the year ended 31 December 2015 was mainly attributable to the increase in equity base. The return on equity for the year ended 31 December 2016 was stable compared to year ended 31 December 2015. Our increase in return on equity for the year ended 31 December 2017 was mainly attributable to a decrease of our total equity mainly as a result of our dividend declared and settled during the year exceeding the decrease of our profit for the year.

Interest coverage

Our interest coverage was approximately 11.2 times, 28.9 times, 43.8 times and 56.7 times for the years ended 31 December 2014, 2015, 2016 and 2017 respectively. The increase in interest coverage for the years ended 31 December 2014, 2015, 2016 and 2017 was mainly in line with the decreasing trend of finance cost. Interest coverage was not applicable for the five months ended 31 May 2018 since we had no bank borrowings and our finance cost on bank overdraft was minimal during the period.

Current ratio

Our current ratio was approximately 1.2 times, 1.4 times, 2.6 times, 1.7 times and 1.9 times for the year ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 respectively. Our current ratio for the year ended 31 December 2015 slightly increased to 1.4 times was mainly attribute to the decrease in bank overdrafts and bank borrowings of approximately MOP62.4 million. Our current ratio for the year ended 31 December 2016 increased to 2.6 times was mainly attribute to the classification of the amount due from a director as current assets from non-current assets. Our current ratio for the year ended 31 December 2017 decrease to 1.7 times was mainly attribute to the settlement of amount due from a director and a related company with the special dividend. Our current ratio for the five months ended 31 May 2018 slightly increased to 1.9 times was mainly due to the decrease in trade and other payables.

Gearing ratio

Our gearing ratio was approximately 35.6%, 9.9%, 11.0%, nil and nil for the year ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 respectively. Our gearing ratio for the year ended 31 December 2015 decreased by approximately 25.7% was mainly attribute to the decrease in bank overdrafts and bank borrowings by approximately MOP62.4 million. Our gearing ratio for the year ended 31 December 2016 slightly increase by 1.1% was mainly attribute to the increase in bank borrowing of approximately MOP10.3 million. Our gearing ratio for the year ended 31 December 2017 and the five months ended 31 May 2018 was nil because no interest bearing borrowing was recorded as at 31 December 2017 and 31 May 2018.

Debt to equity ratio

Debt to equity ratio was not applicable since our Group was in a net cash position as at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018.

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FINANCIAL RISKS AND CAPITAL RISK MANAGEMENT

Our principal financial instruments comprised of trade and other receivables, amounts due from related companies, amounts due from directors, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to related companies, amount due to a director, bank overdrafts and bank borrowings. The risks associated with these financial instruments include market risks (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

We collect most of the revenue and incur most of the expenditures in their respective functional currencies. We are exposed to currency risk primarily through purchase of raw materials and sales proceeds received from our customers that are denominated in a currency other than our functional currency. The currencies giving rise to this risk are primarily Hong Kong Dollar (“HK\$”) and Renminbi (“RMB”). Our directors consider that the exposure to foreign currency exchange risk is insignificant as the majority of our transactions are denominated in the functional currency of each our Group entity.

We currently do not have a foreign currency hedging policy. However, the management of our Company continues to monitor our foreign exchange exposures and will consider hedging significant foreign currency exposures when the need arises.

Interest rate risk

Our Group has minimal exposure to fair value interest rate risk in relation to fixed-rate pledged bank deposits and bank overdrafts.

Our Group’s cash flow interest rate risk relates primarily to floating-rate bank balances and bank borrowings. Our Group currently does not have an interest rate hedging policy. However, the management of our Group monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

Credit risk

At the end of each reporting period, our Group’s maximum exposure to credit risk which will cause a financial loss to our Group due to failure to discharge an obligation by the counterparties are arising from the carrying amounts of the respective recognised financial assets and contract assets as stated in the consolidated statements of financial position.

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Our Group's construction contracts include payment terms which require progress payments over the construction period based on the payment certificates issued by architects, surveyors or other representatives appointed by the customers. These payment terms prevent the build-up of significant contract assets. However, our Group also typically agrees to retention period ranging from 3 months to 2 years for 10% of the certified amounts payable to our Group. These amounts are included in contract assets until the end of the retention period as our Group's entitlement to this final payment is conditional on our Group's work satisfactorily passing inspection.

Our Group is exposed to concentration of credit risk as at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018 on trade receivables from our Group's three major customers amounting to MOP11.0 million, MOP18.9 million, MOP35.7 million, MOP13.2 million and MOP25.1 million, respectively and accounted for 30%, 45%, 96%, 72% and 73%, respectively, of our Group's total trade receivables. In the opinion of the management of our Group, the major customers of our Group are certain reputable organisations in the market. The management of our Group considers that the credit risk is limited in this regard.

Since the adoption of IFRS 9 on 1 January 2018, our Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for trade receivables and contract assets.

Management assessed the expected loss on trade receivables and contract assets individually. Based on historical experience of our Group, these trade receivables and contract assets are generally recoverable due to the long term/on-going relationship and good repayment record. As at 31 May 2018, the additional loss allowance for provision for trade receivables and contract assets was insignificant.

In addition, the directors of our Company are of the opinion that no event of default occurred for trade receivables aged over 90 days and the balances are still considered fully recoverable due to long-term/on-going relationship and good repayment record from these customers.

The credit risk on liquid funds is limited because our counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows. The management of our Group believes that our Group will have sufficient working capital for its future operational requirement.

The following tables detail our Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which our Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

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The table includes both interests and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from contracted interest rate curve at the end of each reporting period.

Our Group

	Weighted average interest rate %	On demand or less than 3 month <i>MOP'000</i>	Total undiscounted cash flows <i>MOP'000</i>	Total carrying amount <i>MOP'000</i>
31 December 2014				
Non-derivative financial liabilities				
Trade and other payables	N/A	51,468	51,468	51,468
Amounts due to related companies	N/A	5,344	5,344	5,344
Amount due to a director	N/A	12,027	12,027	12,027
Bank overdrafts	1.25	42,161	42,161	42,161
Variable-rate bank borrowings	4.05	<u>51,670</u>	<u>51,670</u>	<u>51,575</u>
		<u>162,670</u>	<u>162,670</u>	<u>162,575</u>
31 December 2015				
Non-derivative financial liabilities				
Trade and other payables	N/A	65,699	65,699	65,699
Amounts due to related companies	N/A	18,150	18,150	18,150
Amount due to a director	N/A	12,027	12,027	12,027
Bank overdrafts	1.25	430	430	430
Variable-rate bank borrowings	2.77	<u>30,946</u>	<u>30,946</u>	<u>30,945</u>
		<u>127,252</u>	<u>127,252</u>	<u>127,251</u>
31 December 2016				
Non-derivative financial liabilities				
Trade and other payables	N/A	39,821	39,821	39,821
Amounts due to related companies	N/A	16,238	16,238	16,238
Amount due to a director	N/A	12,027	12,027	12,027
Bank overdrafts	1.25	93	93	93
Variable-rate bank borrowings	2.60	<u>41,374</u>	<u>41,374</u>	<u>41,260</u>
		<u>109,553</u>	<u>109,553</u>	<u>109,439</u>

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	Weighted average interest rate %	On demand or less than 3 month MOP'000	Total undiscounted cash flows MOP'000	Total carrying amount MOP'000
31 December 2017				
Non-derivative financial liabilities				
Trade and other payables	N/A	<u>39,378</u>	<u>39,378</u>	<u>39,378</u>

31 May 2018				
Non-derivative financial liabilities				
Trade and other payables	N/A	<u>28,316</u>	<u>28,316</u>	<u>28,316</u>

Our Company

	Weighted average interest rate %	On demand or less than 3 month MOP'000	Total undiscounted cash flows MOP'000	Total carrying amount MOP'000
31 December 2017				
Amount due to a subsidiary	N/A	<u>12,449</u>	<u>12,449</u>	<u>12,449</u>
31 May 2018				
Amount due to a subsidiary	N/A	<u>17,275</u>	<u>17,275</u>	<u>17,275</u>

Capital management

The primary objectives of our Group's capital management are to safeguard our Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value. Our Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, our Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the Track Record Period.

Our Company monitors capital using a gearing ratio, which is total interest-bearing borrowings divided by the total capital. Total interest-bearing borrowings include obligations under finances leases and interest-bearing bank borrowings. Capital includes equity attributable to owners of our Company. Our gearing ratio was approximately 35.6%, 9.9%, 11.0%, nil and nil as at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018 respectively.

FINANCIAL INFORMATION

PROPERTY INTERESTS AND PROPERTY VALUATION

Savills (Macau) Limited, an independent property valuer to our Company, has valued the properties located in Macau as at 30 June 2018. The texts of its letter, summary of valuation and the valuation reports are set out in Appendix III to this prospectus.

The table below sets forth the reconciliation of the aggregate amount of net book value of our Group's property interests from our consolidated financial statements as at 31 May 2018 with the valuation of property interests as at 30 June 2018:

	<i>MOP'000</i>
Net book value of our Group's property interests as at 31 May 2018 (audited)	44,377
Less: Depreciation of leasehold land and buildings during the period from 1 June 2018 to 30 June 2018 (unaudited)	<u>(117)</u>
Net book value of our Group's property interest as at 30 June 2018	44,260
Valuation surplus	<u>2,378</u>
Valuation of the relevant properties as at 30 June 2018 as set forth in the property valuation report included in Appendix III to this prospectus (<i>Note</i>)	<u><u>46,638</u></u>

Note: The valuation of our Group's property interests as at 30 June 2018 of HK\$45,280,000 (equivalent to MOP46,638,400 at the exchange rate of HK\$1 to MOP1.03) as set out in the Property Valuation Report in Appendix III.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the proposed Global Offering on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 May 2018 as if the proposed Global Offering had taken place at 31 May 2018.

FINANCIAL INFORMATION

The statement of unaudited pro forma adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the consolidated net tangible assets of our Group had the proposed Global Offering been completed at 31 May 2018 or any future date.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 May 2018 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 May 2018	Estimated net proceeds from the proposed Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 May 2018	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 May 2018 per Share	
	<i>MOP'000</i> <i>(Note 1)</i>	<i>MOP'000</i> <i>(Note 2)</i>	<i>MOP'000</i>	<i>MOP</i> <i>(Note 3)</i>	<i>HK\$</i> <i>(Note 4)</i>
Based on the Offer Price of HK\$0.52 per Offer Share	142,214	56,903	199,117	0.33	0.32
Based on the Offer Price of HK\$0.78 per Offer Share	142,214	94,715	236,929	0.39	0.38

Notes:

- (1) The audited consolidated net tangible assets of our Group attributable to owners of the Company as at 31 May 2018 is extracted from the net assets of our Group as set out in the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the issue of the Offer Shares pursuant to the proposed Global Offering are based on 150,000,000 new Offer Shares at the Offer Price of lower limit and upper limit of HK\$0.52 and HK\$0.78 per Offer Share, respectively, after deduction of the underwriting commissions and fees and other related fees incurred by the Group (excluding approximately MOP15,058,000 listing expenses charged to profit or loss prior to 31 May 2018). It does not take into account any Shares (i) which may be allotted and issued under the Over-allotment Option, (ii) which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or (iii) which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors. For the purpose of calculating the estimated net proceeds from the Global Offering, the translation of HK\$ into MOP was made at the rate of HK\$1.00 to MOP1.0315, being the spot exchange rate as at 31 May 2018. No representation is made that the HK\$ amounts have been, could have been or could be converted in MOP, or vice versa, at the rate or at all.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 31 May 2018 per Share is arrived at on the basis that 600,000,000 Shares were in issue assuming that the proposed Global Offering and the Capitalisation Issue had been completed on 31 May 2018 and that the Over-allotment Option is not exercised. It does not take into account any Shares (i) which may be allotted and issued under the Over-allotment Option, (ii) which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors.

FINANCIAL INFORMATION

- (4) For the purpose of the unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 31 May 2018 per Share, the amount stated in MOP is converted into Hong Kong dollars at the rate of MOP1.0315 to HK\$1.00, being the spot exchange rate as at 31 May 2018. No representation is made that the MOP amounts have been, could have been or could be converted to HK\$, or vice versa, at the rate or at all.
- (5) The unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company as at 31 May 2018 does not take into account the effect of any trading result or other transaction of our Group entered into subsequent to 31 May 2018.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Save as disclosed otherwise in this document, our Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

MATERIAL ADVERSE CHANGE

Save for the listing expenses, our Directors have confirmed that, since 31 May 2018 and up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially and adversely affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.

SUBSEQUENT EVENTS

For significant events that took place subsequent to 31 May 2018, please refer to Note 36 of the Accountants' Report as set out in Appendix I to this prospectus.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See the paragraph headed “Business — Business strategies” in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

The aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering and assuming an Offer Price of HK\$0.65 per Share, being the mid-point of the indicative Offer Price range of HK\$0.52 to HK\$0.78 per Share, and assuming the Over-allotment Option is not exercised) will be approximately HK\$58.9 million. Our Directors intend to apply the net proceeds from the Global Offering as follows:

- approximately HK\$25.3 million, representing approximately 43% of the net proceeds from the Global Offering for strengthening our financial position:
 - As at the Latest Practicable Date, we have 17 on-going projects, of which four were related to structural works and 13 were related to fitting-out works. In particular, after the Track Record Period and up to the Latest Practicable Date, our Group was awarded one new fitting-out works projects in the public sector. For details, please refer to the paragraph headed “Business — Our projects — (2) Projects in progress” in this prospectus. It is common for our Group to incur certain expenses for payment of subcontracting charges, construction material costs and labour costs at the early stage of construction projects before the value of our work done is certified by our customers. As such, Our Group intends to utilise net proceeds from the Global Offering to fulfil the initial working capital for our new projects in particular for larger contract sum projects to be awarded. When our Group’s capacity will be increased as new capital is entering, it allows us to submit more tenders and undertake more new projects concurrently. Our Directors consider that it is beneficial for us to raise additional funds from the Global Offering to finance our cash outflows during the course of construction, in particular, during the early stage of the construction period. To this extent, we intend to use approximately HK\$17.7 million or approximately 30% in financing our Group’s structural works and fitting-out works projects in Macau, including payment of labour costs, construction material costs and subcontracting charges;
 - Furthermore, according to the Frost & Sullivan Report, the Macau Government has launched various promotional campaigns and related policies to support tourism industry upon the completion of Hong Kong — Zhuhai — Macau Bridge in the coming years, and also the new urban zone development as highlighted in the Macau 2017 Policy Address was recognised as a key driver to the construction industry in Macau. In the event that our Group undertakes more projects and/or larger scale projects, we are normally required to issue performance bond of approximately 5-10% of the contract sum or bid bond of approximately 2% of the contract sum. We are required to place cash deposit at the banks or financial institutions for issuing performance bond or bid bond. Therefore, to capture emerging opportunities and to undertake more projects and sizeable projects in both private and public sectors, we intend to use

FUTURE PLANS AND USE OF PROCEEDS

approximately HK\$7.6 million or approximately 13% in enhancing our financial position, such as providing sufficient amounts of performance bonds and bid bonds, as well as to use as cash collateral for increasing bank credit facilities limit to our Group;

Our Directors expect that there will at least be 23 potential projects, of which there will be about two fitting-out works and 21 structural works potential projects, that our Group is intended to tender or provide quotation for the seven months ending 31 December 2018 and the year ending 31 December 2019. These potential projects will require bid bonds and/or performance bonds and if successfully tendered, will incur initial cash outflows for payment such as, subcontracting fees, construction material costs and labour costs. Details of these potential projects are set out in the table below:

Description of project	Category	Estimated contract sum (MOP million)	Estimated bid bonds (MOP million)	Estimated performance bond (MOP million)	Estimated initial cash outflows to be incurred (MOP million)	Expected tender submission date	Expected tender results return date	
<i>For the period from 1 June 2018 to 31 December 2018</i>								
1.	Project A	Public	200.0	4.0	10.0	20.0	September 2018	March 2019
2.	Project B	Public	250.0	5.0	12.5	25.0	September 2018	March 2019
3.	Project C	Public	200.0	4.0	10.0	20.0	October 2018	April 2019
4.	Project D	Public	200.0	4.0	10.0	20.0	October 2018	April 2019
5.	Project E	Public	200.0	4.0	10.0	20.0	November 2018	May 2019
6.	Project F	Public	100.0	2.0	5.0	10.0	November 2018	May 2019
7.	Project G	Commercial	50.0	—	5.0	5.0	November 2018	January 2019
8.	Project H	Public	100.0	2.0	5.0	10.0	December 2018	June 2019
9.	Project I	Public	369.1	7.4	18.5	36.9	December 2018	June 2019
10.	Project J	Public	904.2	18.1	45.2	90.4	December 2018	June 2019
11.	Project K	Commercial	30.0	—	3.0	3.0	December 2018	February 2019
<i>For the year ending 31 December 2019</i>								
12.	Project L	Public	1,227.2	24.5	61.4	122.7	January 2019	July 2019
13.	Project M	Public	1,088.8	21.8	54.4	108.9	February 2019	August 2019
14.	Project N	Public	100.0	2.0	5.0	10.0	March 2019	September 2019
15.	Project O	Public	200.0	4.0	10.0	20.0	March 2019	September 2019
16.	Project P	Residential	50.0	—	5.0	5.0	March 2019	May 2019
17.	Project Q	Residential	1,200.0	—	120.0	120.0	July 2019	September 2019
18.	Project R	Public	200.0	4.0	10.0	20.0	October 2019	April 2020
19.	Project S	Public	200.0	4.0	10.0	20.0	October 2019	April 2020
20.	Project T	Public	200.0	4.0	10.0	20.0	November 2019	May 2020
21.	Project U	Public	200.0	4.0	10.0	20.0	November 2019	May 2020
22.	Project V	Public	200.0	4.0	10.0	20.0	December 2019	June 2020
23.	Project W	Public	200.0	4.0	10.0	20.0	December 2019	June 2020
	Total:		7,669.3	126.8	450.0	766.9		

FUTURE PLANS AND USE OF PROCEEDS

Notes:

1. The estimations of the details set out in the above table are based on the following source(s) and principal assumptions:
 - (i) tender invitations or publicly available information including tender notices on the website of the Macau government and Macau 2018 Policy Address or the knowledge of our Directors;
 - (ii) the best estimate of our Directors based on the publicly available information, prevailing market prices and certain relevant industry knowledge;
 - (iii) there will be no significant changes in the existing political, legal, market or economic conditions in Macau, including changes in legislations, regulations, policies or rules, which may have a material adverse effect on our business or operations;
 - (iv) there will be no material changes in the bases or rates of taxation, both direct and indirect, in Macau;
 - (v) actual construction costs will not vary significantly from the signed contracts or the budget in any way that is more significant than historical experience;
 - (vi) there will be no material disputes with our customers;
 - (vii) our operations and business will not be materially affected or interrupted by any force majeure events or other unforeseeable factors or any unforeseeable reasons that are beyond the control of our Directors, including natural disasters or catastrophes, epidemics or serious accidents;
 - (viii) our operations and financial performance will not be materially and adversely affected by any of the risk factors as set out in the section headed “Risk Factors” in this prospectus;
 - (ix) we will be able to retain our key management and personnel during the years ending 31 December 2018 and 2019 and thereafter;
 - (x) there will be no changes in the existing accounting policies from those adopted in the preparation of our financial information in the Track Record Period;
 - (xi) there will be no disagreement from relevant authorities in our licences and qualifications retention process;
 - (xii) all projects will be completed according to the budgeted time frame;
 - (xiii) there will not be material deterioration in the financing standing of our customers, suppliers and subcontractors;
 - (xiv) there will be no occurrences such as labour shortages, labour disputes or interruptions in the supply of third-party services, equipment, fuel, other materials or supplies that would adversely affect our operations;
 - (xv) we will continue to be able to recruit sufficient qualified personnel to achieve our planned expansion and will at all times have a staffing level that will be sufficient for our operational requirements;

FUTURE PLANS AND USE OF PROCEEDS

(xvi) the accounting policies to be adopted by us will be consistent in all material aspects with those accounting policies adopted in the Accountants' Reports in Appendix I to this prospectus;

(xvii) there will not be material fluctuations in the financial markets and capital markets (including the increase or decrease in the interest rates for bank borrowings) generally; and

(xviii) the relevant project owner, our customers and us will be able to continually obtain adequate financial going concern in the foreseeable future.

2. The number of projects that our Group will tender and the relevant estimated contract sum, expected tender submission date and expected tender results return date may vary depending on the actual tenders available and the capacity of our Group at the relevant time.

As at the Latest Practicable Date, taking into account (i) 20 projects for which the tenders have been submitted but not yet awarded as at the Latest Practicable Date with a total expected contract sum of approximately MOP605.7 million, details of which are set out in “Business — Our projects — (3) Projects awarded after the Track Record Period and status of the tenders submitted up to the Latest Practicable Date”; and (ii) the 23 potential projects abovementioned that we intend to tender during the period from the Latest Practicable Date to 31 December 2019 with a total expected contract sum of approximately MOP7,669.3 million. Based on an assumption of our Group's average tender success rate during the Track Record Period of 15.7%, the expected total performance bonds to be issued for the successful bids and the initial cash outflows on these projects are as follows:

	Estimated total contract sum	Performance bonds (i.e. approximately 5% of the total estimated contract sum for public projects and 10% of total estimated contract sum for private projects)	Initial cash outflow for projects (i.e. 10% of the estimated total contract sum)
20 projects submitted tender but not yet awarded	MOP605.7 million	MOP46.7 million	MOP60.6 million
Assuming a tender success rate of 15.7%	MOP95.1 million	MOP7.3 million	MOP9.5 million

FUTURE PLANS AND USE OF PROCEEDS

	Estimated total contract sum	Performance bonds (i.e. approximately 5% of the total estimated contract sum for public projects and 10% of total estimated contract sum for private projects)	Initial cash outflow for projects (i.e. 10% of the estimated total contract sum)
23 potential projects	MOP7,669.3 million	MOP450.0 million	MOP766.9 million
Assuming a tender success rate of 15.7%	MOP1,204.1 million	MOP70.7 million	MOP120.4 million

Among 23 potential projects abovementioned, there shall be 19 public projects for tendering. Our Directors estimate that the total expected contract sum of these 19 projects which will be available in the public sector for tendering starting from the Latest Practicable Date to the end of 2019 will be not less than MOP6.3 billion and the relevant required bid bond amount shall be not less than MOP126.7 million. According to the projected tender submission date by the best estimation of our Directors, our Directors expect that our Group will, concurrently, have 11 public projects for which the relevant tender is submitted and result is yet to be released during the first quarter of 2019, and our Group will hold up an estimated amount up to approximately HK\$96.8 million for obtaining bid bonds for these 11 projects.

Based on the total contract sum of the contracts awarded to our Group, the estimated monthly working capital to maintain our Group's operations is approximately MOP20.8 million. In order to provide a sufficient buffer to meet any unexpected cash outflow for settling all the bills on timely basis, our Company shall keep a minimum level of approximately MOP20.0 to MOP30.0 million and the minimum cash level shall be adjusted monthly based on the actual projects awarded and the relevant total contract sum.

Taken into account the 20 projects (submitted tender but not yet awarded) and 23 potential projects, the estimated aggregate amount of (a) bid bonds; (b) performance bonds; and (c) the initial cash outflow for these projects can reach approximately MOP304.7 million.

Bid bonds hold up during the first quarter of 2019	MOP 96.8 million
Performance bonds	MOP 78.0 million
Initial cash outflow for projects (i.e. 10% of the estimated total contract sum)	MOP129.9 million
Total amount	MOP 304.7 million

FUTURE PLANS AND USE OF PROCEEDS

The abovementioned estimated required funding of approximately MOP304.7 million shall exceed the Group's total amount of estimated available internal financial resources of the Group, which is approximately MOP 202.1 million. The estimated available internal financial resources of the Group is calculated based on available cash and the unutilised banking facilities as at 31 May 2018 after taking into account of (1) the expected tax payments to be paid in 2018; (2) the performance bond/bid bonds expected to be released before the end of 2019 and; (3) the estimated monthly working capital require to maintain the Group's operations of approximately MOP20.8 million. It is expected the shortfall of approximately MOP 102.6 million shall be funded by the net proceed together with internal financial resources to be generated by the Group in the future.

	Approximately MOP (in million)
Available Cash as at 31 May 2018	56.8
Unutilised banking facilities as at 31 May 2018	116.9
Minus: Expected tax payments to be paid in 2018	(12.5)
Add: Performance bonds/bid bonds expected to be released before the end of 2019	61.7
Minus: Estimated monthly working capital require to maintain the Group's operations	(20.8)
Estimated available internal financial resources of the Group	202.1

We expect the sequence of drawdown for our Company will (a) first use cash and thereafter use the unutilised banking facilities to pay for the initial cash outflow, while (b) for issuing the performance bonds and bid bonds, unutilised banking facilities will be used first and thereafter, cash will be used as pledged deposit. We also expect that such drawdown will first be allocated to the 20 projects submitted tender but not yet awarded, then the potential projects subject to the sequence for the tender to be awarded.

FUTURE PLANS AND USE OF PROCEEDS

- approximately HK\$15.9 million, representing approximately 27% of the net proceeds from the Global Offering for purchasing suitable new machinery for our forthcoming construction works. We plan to purchase the following machinery in the next three years:

Year	Types of machinery	Units	Estimated costs (HK\$)	Function and usage
2018	Excavator	3	approximately 1,860,000	Excavation works which include the digging of trenches, holes, foundation, landscaping, and material handling
	Crawler crane	2	approximately 1,840,000	Lifting and moving heavy materials
2019	Sheet piling machine (excavator with vibrating hammer)	1	approximately 2,340,000	Driving pile into the soil to form a protection wall in order to support excavations for below-grade parking structures, basements, and foundations
	Mini piling machine (including accessories and air compressors)	1	approximately 2,340,000	Driving steel pipe into ground and subsequently filling the pipes with cement grout
2020	Bored pile machine (with accessories including drilling rods and hammers)	1	approximately 6,260,000	Extracting soil and other hard material out from the bore in the pile casing
	Air compressors	3	approximately 2,400,000	Converting power into potential energy stored in pressurised air, which are used to supply high pressure clean air to fill air receivers, supply of moderate-pressure air to power pneumatic tools and equipment

Note: The expected utilisation of the machinery to be acquired shall be for our own substructure works projects or else we may lease out our machinery and/or take up subcontracting works that require such machinery from potential customers when the relevant machinery is not required by our own projects in order to maximise the utilisation rate and return. Based on the projects on hand, the latest tender submission status, projects in the pipeline, and assuming there will be a 90-days of idle time in a year when the relevant machinery is neither used for our own projects nor leased out to third parties, the target utilisation of the above machinery to be acquired will be about 75%.

FUTURE PLANS AND USE OF PROCEEDS

Our Directors believe that the purchase of machinery is of critical and strategic importance to our Group, for the reasons that (a) the purchase of machinery enables us to increase our overall efficiency and capacity in performing structural works in the future, for instance, for the construction works in the projects which we have submitted tenders, namely, Projects N3 and N12 require the use of machinery; (b) based on our Company's estimation and the fee quote from Independent Third Parties on rental costs/subcontracting costs (including relevant cost) for those machinery to be purchased by the proceeds, the estimated cost of having our own machinery and equipment during the course of the construction works (taking into account the depreciation cost and other relevant cost) shall be at least about 20% lower than the rental costs/subcontracting costs (including relevant cost) for such machinery for the same construction works and period, in estimating the costs of having self-owned machinery, we have taken into account the depreciation costs based on the estimated useful life of 6 to 10 years, the relevant associated cost such as cost for machine operators, fuel cost, etc. during the course of the construction works and the idle time in a year when the relevant machinery is being neither used for our own projects nor leased out to the third parties; (c) it enables us to reduce our reliance on the subcontractors and machinery leasing service providers for supply of machinery; and (d) the purchase of machinery will enhance our competitiveness to compete with the other construction contractors as the availability of machinery and equipment enables us to cater for different customers' needs and requirements of different customers and customers may also consider, among other factors such as financial position, reputation, qualification, whether the contractors have available machinery and equipment when assessing the tender submission. According to the Frost & Sullivan Report, the Macau Government plans to establish the new urban districts under land reclamation, and to provide approximately 54,000 housing units, and the Avenida Wai Long public housing project is expected to provide additional public housing units as well as promote the construction of public amenities in short-to-medium term, which will create a lot of opportunities of structural works. It is expected that these construction projects, in particular structural works projects, will require a lot of machinery. In this regard, our demand for machinery is projected to increase, and our Directors are confident that having our own machinery can definitely enhance our competitiveness in both cost savings and tender success;

- approximately HK\$5.9 million, representing approximately 10% of the net proceeds from the Global Offering for potential merger and acquisition of construction business in Macau. In order to capture the growth in the industry and expand our market share in the construction industry in Macau, we intend to identify opportunities in acquiring businesses or companies, for example, a contractor with similar business of our Group but different customer base and a subcontractor with experience in project management, reputation in the construction industry and sufficient labour resources. Our Directors consider that the acquisition of construction business can enable us to increase our capacity with the availability of construction workers and project management expertises. We will seek potential targets through internal market research and recommendations from our business partners. In selecting and assessing potential merger and acquisition opportunities, we will consider a variety of factors relating to the target companies, including their compatibility with our business and future development plans, track record, availability of construction workers, professional expertise, experience in project management, capabilities of

FUTURE PLANS AND USE OF PROCEEDS

management and technical staff, market share as well as the potential growth, profitability of business and goodwill. As at the Latest Practicable Date, we did not have specific acquisition targets or investment plans and had not entered into definitive agreements nor engaged in any active discussions with any potential targets;

- approximately HK\$5.9 million, representing approximately 10% of the net proceeds from the Global Offering for hiring additional staff, including one commercial director with at least 10 years relevant working experience who has extensive experience in developing and implementing commercial strategies for construction projects and wide connections with customers in both private and public sectors and local supplies and subcontractors, and two senior project managers with at least seven years who can supervise and manage the projects and communicate internally and externally for our Group's business operation, development and marketing.
- the remaining balance of approximately HK\$5.9 million, representing 10% of the net proceeds from the Global Offering, will be used for additional working capital and other general corporate purposes.

If the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.78 per Share, the net proceeds we receive from the Global Offering will increase by approximately HK\$18.3 million. We intend to apply the additional net proceeds for the above purposes on a pro-rata basis. If the Offer Price is set at the low-end of the indicative Offer Price range, being HK\$0.52 per Share, the net proceeds we receive from the Global Offering will decrease by approximately HK\$18.3 million. We intend to reduce the net proceeds for the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds from the offering of these additional Shares to be received by us, after deducting underwriting fees and estimated expenses payable by us, will be approximately (i) HK\$16.7 million, assuming the Offer Price is fixed at the high-end of the indicative Offer Price range, being HK\$0.78 per Share; (ii) HK\$13.9 million, assuming the Offer Price is fixed at the mid-point of the indicative Offer Price range, being HK\$0.65 per Share; and (iii) HK\$11.1 million, assuming the Offer Price is fixed at the low-end of the indicative Offer Price range, being HK\$0.52 per Share. Any additional proceeds received by us from the exercise of the Over-allotment Option will also be allocated to the above businesses and projects on a pro-rata basis.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable laws and regulations, we intend to deposit the net proceeds into short-term demand deposits with authorised financial institutions and/or licensed banks in Hong Kong.

FUTURE PLANS AND USE OF PROCEEDS

REASONS FOR LISTING

Our Directors consider that the Listing will benefit our Group in different aspects as discussed below:

(i) To strengthen our financial position and enhance our working capital

Our Group requires funds during the course of construction, particularly the early stage of construction period, which are generally obtained from different sources such as bank borrowings and internal resources. In choosing between debt financing and equity financing, our Directors consider that the nature of construction industry, which the cash outflows for payment of subcontracting fees, construction material costs and labour costs, as well as the issue of performance bonds, is often incurred in the early stage of our projects, and the cash outflows is usually to be in place once our customer confirms the construction contract with us. During the Track Record Period, we had experienced a substantial portion of our available funding being occupied for large-scale projects and had taken up most of the capacity of our Group for number of years, and hence we were required to raise our fund through debt financing. Our Directors confirm that our Group encounters difficulties to raise further fund through debt financing and/or increasing the banking facilities amount without the personal guarantee from our Controlling Shareholders or any collaterals provided by us, and generally the amount of the personal guarantee required is larger than the fund obtained. Nevertheless, going forward, our Group still requires working capital to maintain our current capacity for existing projects, as well as extra funding to expand our capacity to undertake more projects and sizeable projects. We believe that it is crucial to maintain a robust liquidity position at all times, particularly in the form of steady and strong level of cash balance, to (i) ensure smooth business operations, (ii) be able to tender for more projects and larger scale projects, and (iii) be able to devote sufficient resources in the implementation of our business plans. In light of our expansion plan, we will require a much higher working capital to maintain our daily business operations upon the Listing.

Furthermore, most of our customers would consider the financial viability of our Group as one of the critical criteria for selecting contractors in the tendering process. Hence, debt financing may negatively affect the financial viability of our Group and affect our competitiveness in tendering. Despite the current low interest rate environment, there is no assurance that the interest rate will be maintained at a low level in the future. In case of any increase in the interest rates for bank borrowings, our finance costs will be increased. Our Directors also consider funds raised from the issue of equity are a committed source of fund does not entail a maturity date. As such, our Directors are of the view that equity financing is a more appropriate source at this stage and could lower the finance cost in the long run. Our Directors further consider that debt financing from banks or financial institutions normally requires the pledge of properties or personal guarantee from our Controlling Shareholders which would increase our reliance on our Controlling Shareholders. On the other hand, if our Company is listed, we may have a better position to negotiate with banks and financial institutions when we require debt financing. Our Directors also consider that the Listing allows our Group to broaden our Shareholder base, strengthen our capital base and provide an efficient and sustainable fund raising platform for our Group to raise further capital in the future when necessary.

FUTURE PLANS AND USE OF PROCEEDS

(ii) To facilitate the implementation of our business strategies

We intend to use the net proceeds to expand and capture our business opportunities by submitting tenders in both public and private sectors. Please refer to “Business — Our projects — (3) Projects awarded after the Track Record Period and status of the tenders submitted up to the Latest Practicable Date” for details. The projects are awarded on tender basis, and there is no certainty on short-term tender success rate. If we are well capitalised, we will be able to tender and take on more projects at the same time. If we undertake more projects and/or larger scale projects, our Group requires more capital resources to finance our projects and has a genuine need to seek additional sources of funding. Our Directors consider that the Listing enables us to access to larger investor base and additional fund-raising avenue where we can promptly raise new capital from time to time, and facilitate us to achieve our business objectives. Furthermore, as there are various criteria for the customers to award a winning bid, our Directors believe the Listing status of our Group and the capitalisation through the Global Offering will certainly enhance the chance of our Group in winning a bid in the tender process when the customers considering our tender submission. Our Directors also consider that the success of our future plans would benefit our Company and Shareholders as a whole in the long run.

(iii) To enhance our corporate profile

By way of the Listing, we can elevate our corporate image and status and provide reassurance and confidence to our customers, which in turn provides a stronger bargaining position when exploring new business. In addition, our Directors are of the view that the Listing will facilitate us to entice new customers, as their confidence will be attached to our reputation, transparent financial condition, standard of internal controls and corporate governance. Upon the Listing, our Directors will be require to maintain a highest standard of ongoing regulatory compliance, which is also an opportunity for us to strive for continuous improvement and supervision, sharpen our competitiveness and ultimately, gain our customers’ trust in us. In addition, having considered the fact that a number of our competitors have already been listed on the Stock Exchange or other stock exchanges, our Directors consider that a public listing status is necessary for us to remain competitive in the construction industry in Macau.

(iv) To enhance our staff morale and loyalty

Our Directors consider that human resources and talents are vital to our business, and a listed company generally offers extra job security and financial confidence to potential employees and engineering professionals. Furthermore, 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. Our Group has been actively investing and managing our labour capital, and the Listing is considered to be our Group’s and our staff’s common goal.

UNDERWRITING

HONG KONG UNDERWRITERS

Southwest Securities (HK) Brokerage Limited
Sinolink Securities (Hong Kong) Company Limited
China Investment Securities International Brokerage Limited
Haitong International Securities Company Limited
BMI Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 15,000,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of the Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options that may be granted under the Share Option Scheme) as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have severally agreed to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares now being offered but which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to, among other things, the International Underwriting Agreement having been signed and becoming unconditional.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination if, at any time before 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into force:
 - (i) any change or development involving a prospective change, or any event or series of events resulting in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal, regulatory or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which

UNDERWRITING

the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Hong Kong dollar, MOP or the Renminbi against any foreign currencies) in or affecting Hong Kong, Macau, China, the United States, any member of the European Union, the Cayman Islands, the BVI or any other jurisdiction relevant to any member of our Group (collectively, the “**Relevant Jurisdictions**”); or

- (ii) any new laws, rules, statutes, ordinances, regulations, guidelines, opinions, notices, circulars, orders, judgements, decrees or rulings of any governmental authority (the “**Law**”) or change or development involving a prospective change in existing Laws or any change or development involving a prospective change in the interpretation or application of the Law by any court or other competent authority in any of the Relevant Jurisdictions; or
- (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, epidemics, pandemics, outbreak of diseases, civil commotion, riot, public disorder, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption or delay in transportation) in or affecting any of the Relevant Jurisdictions; or
- (iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency, declaration of a national or international emergency or war, or calamity or crisis in or affecting any of the Relevant Jurisdictions; or
- (v) (1) any, moratorium, suspension of, or restriction or limitation on, trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ National Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange or (2) a general moratorium on commercial banking activities in New York (imposed at Federal or New York State level or other competent authority), London, any member of the European Union, Japan, Hong Kong or China, declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions; or
- (vi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States or by any member of the European Union on any of the Relevant Jurisdictions; or

UNDERWRITING

- (vii) any material change or prospective material change in taxation or exchange controls, currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions (including without limitation a devaluation of the Hong Kong dollar, MOP or the Renminbi against any foreign currencies) or the implementation of any exchange control in any of the Relevant Jurisdictions; 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) the commencement by any state, governmental, judicial, law enforcement agency, regulatory or political body or organisation (collectively, the “**Organisations**”) of any action, proceedings, investigation or enquiry, or any sanction, penalty or reprimand imposed or issued by any of the Organisations, against any member of our Group or any Director or an announcement by any of the Organisations that it intends to take any such action; or
- (x) any litigation or claim being threatened or instigated against any member of our Group or any Director; or
- (xi) a Director being charged with an indictable offence or prohibited by operation of Law or otherwise disqualified from taking part in the management of a company; or
- (xii) the chairman or chief executive officer of our Company vacating his office; or
- (xiii) a contravention by any member of our Group of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Listing Rules or any applicable Law; or
- (xiv) a prohibition on our Company for whatever reason from allotting the Offer Shares (including any additional Shares issued under the exercise of the Over-allotment Option) under the terms of the Global Offering; or
- (xv) non-compliance of this prospectus, the relevant offering circulars (or any other documents used in connection with the subscription of the Offer Shares) or any aspect of the Global Offering with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance, the Listing Rules or any other applicable Law; or
- (xvi) other than with the approval of the Joint Global Coordinators, the issue or requirement to issue by our Company of a supplement or amendment to this prospectus (or to any other documents used in connection with the subscription of the Offer Shares) under the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Companies Ordinance, the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

UNDERWRITING

(xvii) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable before its stated maturity; or

(xviii) any material loss or material damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or

(xix) a petition is presented for the winding up or liquidation of any member of our Group or bankruptcy of any Director, or any member of our Group or any Director makes any composition or arrangement with its or his creditors or enters into a scheme of arrangement, or any resolution is passed for the winding up of any member of our Group, or a provisional liquidator, receiver or manager is appointed to take over all or part of the assets or undertaking of any member of our Group or any Director or any analogous matter occurs in respect of any member of our Group or any Director,

and which, in any such case and in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters),

(1) is or will or may be materially adverse to, or materially and prejudicially affect, the business, management, general affairs, financial or trading position or prospects of our Group as a whole; or

(2) has or will have or may have an adverse effect on the success, marketability or pricing of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or

(3) makes or will or may make it impracticable, inadvisable or inexpedient to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or

(4) makes or will or may make it impracticable, inadvisable or inexpedient for any part of the Hong Kong Underwriting Agreement (including underwriting), the Hong Kong Public Offering and/or the Global Offering (including processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof) to be performed or implemented as envisaged; or

(b) there has come to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:

(i) any statement or information, or any matter or circumstance that renders or could render any statement or information, contained in this prospectus, the Application Forms, the formal notice and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company

UNDERWRITING

in connection with the Hong Kong Public Offering and/or the International Placing (including any supplement or amendment to any of the documents) (collectively, the “**Offer Documents**”) was or has or may become, untrue, incorrect or misleading in any respect or that any estimate, forecast, expression of opinion, intention or expectation expressed in any Offer Document is not or may not be, in the sole and absolute opinion of the Joint Global Coordinators, fair and honest and based on reasonable assumptions; or

- (ii) any matter or circumstance has arisen or has been discovered which would or might, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, constitute an omission from any of the Offer Documents and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
- (iii) any material breach of, or any event rendering untrue, incorrect or misleading in any material respect, any of the warranties or confirmations given by our Company, the executive Directors in the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- (iv) any material breach of any of the obligations, warranties or undertakings of our Company, our Controlling Shareholder or the Executive Directors under the Hong Kong Underwriting Agreement or the International Underwriting Agreement; or
- (v) any material event, act or omission which gives or may give or is likely to give rise to any liability of any of our Controlling Shareholders, Executive Directors and our Company pursuant to the indemnity provisions under the Hong Kong Underwriting Agreement; or
- (vi) any information, matter or event which in the sole and absolute opinion of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters);
 - (1) is inconsistent in any respect with any information contained in Form B in Appendix 5 to the Listing Rules given by our Directors; or
 - (2) would cast any serious doubt on the integrity or reputation of any Director or the reputation of our Group; or
- (vii) any material adverse change or development or prospective material adverse change or development in the conditions, business, general affairs, management, prospects, assets, liabilities, shareholders’ equity, profits, losses, operating results, the financial or trading position or performance of any member of our Group; or

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- (viii) approval by the Listing Committee of the listing of, and permission to deal in, the Shares is refused or not granted, other than subject to customary conditions, on or before the date of approval of the Listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (ix) our Company withdraws any of the Offer Documents (and any other documents used in connection with the contemplated subscription of the Offer Shares) or the Global Offering; or
- (x) any person (other than the Joint Global Coordinators and any of the Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Offer Documents or to the issue of any of the Offer Documents.

UNDERTAKINGS TO THE STOCK EXCHANGE UNDER THE LISTING RULES

Undertakings by our Company

Under Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange and our Company that we will 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 such issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except pursuant to the Capitalisation Issue and the Global Offering (including the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme) or for the circumstances provided under Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange and our Company that he/she/it will not and will procure that the relevant registered holder(s) will not:

- (i) in the period commencing on the date by reference to which disclosure of his/her/its holding of Shares is made in this prospectus and ending on the date which is six months from the Listing Date, either directly or indirectly, 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 Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner; and
- (ii) in the period of six months commencing on the date on which the period referred to in paragraph (i) above expires, either directly or indirectly, 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 Shares referred to in paragraph (i) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would cease to be a controlling shareholder of our Company,

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in each case, save as permitted under the Listing Rules.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, our Controlling Shareholders have undertaken to the Stock Exchange and our Company that, within the period commencing on the date by reference to which disclosure of his/her/its holding of Shares is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/she/it will:

- (1) when he/she/it pledges or charges any Shares beneficially owned by him/her/it in favor of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company in writing of such pledge or charge together with the number of Shares so pledged or charged; and
- (2) when he/she/it receives indications, either verbal or written, from the pledgee or chargee of any Shares that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by our Controlling Shareholders.

UNDERTAKINGS UNDER THE HONG KONG UNDERWRITING AGREEMENT

Undertakings under the Hong Kong Underwriting Agreement

Undertakings by our Company

We have undertaken to each of the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters that at any time from the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date (the “**First Six-month Period**”), our Company will not (except for the issue of Shares under the Capitalisation Issue, the Global Offering, the Over-allotment Option and any options which may be granted under the Share Option Scheme) without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) (unless in compliance with the requirements set out in the Listing Rules):

- (a) offer, accept subscription for, pledge, charge, mortgage, allot, issue, sell, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase, any of our share capital or securities of our Company or any interest in our securities or any voting right or any other right attaching thereto (including but not limited any securities convertible into, exercisable or exchangeable for, or that represent the right to receive such share capital or securities or any interest in our share or debt capital); or

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- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share or debt capital or securities or any interest in our securities or any voting right or any other right attaching thereto; or
- (c) offer or agree or contract to enter or enter into any transaction with the same economic effect as any transaction described in (a) or (b) above; or
- (d) publicly announce any intention to enter into any transaction described in (a), (b) or (c) above,

whether any of the foregoing transactions described in (a), (b) or (c) above is to be settled by delivery of share capital or such other securities, in cash or otherwise. We further agree that in the event of an issue or a disposal of any Shares, securities or any interest of our securities or any voting right or any other right attaching thereto after the First Six-month Period, we will take all reasonable steps to ensure that such an issue or a disposal will not create a disorderly or false market for the Shares.

Undertakings by our Controlling Shareholders

Each of our Controlling Shareholders has undertaken to our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters that, except pursuant to the Global Offering, the Over-allotment Option or, if applicable, the stock borrowing arrangement that may be entered into with the Stabilising Manager or its agent, our Controlling Shareholders will not, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), at any time:

- (i) during the First Six-month Period:
 - (a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or grant, contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interest or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, or cause us to repurchase, any of our share or debt capital or our other securities or any interest in our share or debt capital or any voting right or any other right attaching thereto (including but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any of our share or debt capital or our other securities or any interest in our share or debt capital whether now owned or subsequently acquired, owned directly by our Controlling Shareholders (including holding as a custodian) or with respect to which our Controlling Shareholders have beneficial ownership (collectively, the “**Lock-up Shares**”)). The foregoing restriction is expressly agreed to preclude our Controlling Shareholders from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Lock-up Shares even if such Shares would be disposed of by someone other than our Controlling Shareholders.

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Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares; or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of our share or debt capital or our other securities or any interest in our share or debt capital or any voting right or any other right attaching thereto; or
- (c) offer or agree or contract to enter or enter into any transaction with the same economic effect as any transaction described in (i)(a) or (i)(b) above; or
- (d) publicly announce any intention to enter into, any transaction described in (i)(a), (i)(b) or (i)(c) above,

whether any transaction described in (i)(a), (i)(b) or (i)(c) above is to be settled by delivery of Shares or such other securities in cash or otherwise; and

- (ii) during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”) enter into any of the transactions in paragraphs (i)(a), (i)(b) or (i)(c) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, our Controlling Shareholders will cease to be our Controlling Shareholders. Each of our Controlling Shareholders further agrees that in the event of a disposal of any Shares, securities or any interest of our securities or any voting right or any other right attaching thereto after the Second Six-month Period, our Controlling Shareholders will take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for our Shares.

Each of our Controlling Shareholders has undertaken to each of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters that at any time during the period from the commencement of the First Six-month Period to the date on which the Second Six-month Period expires, he/she/it shall:

- (a) if he/she/it pledges or charges or otherwise creates encumbrances over any Shares or securities of our Company or interests therein in respect of which he/she/it is the beneficial owner, whether directly or indirectly, immediately inform each of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters in writing of any such pledges or charges or encumbrances and the number of Shares or securities of our Company so pledged or charged or encumbered; and

UNDERWRITING

- (b) if he/she/it receives any indication, either verbal or written, from any pledgee or chargee or encumbrance or such third party that any of the pledged, charged, encumbered Shares or other securities of our Company will be disposed of, immediately inform each of our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters in writing of any such indication.

Indemnity

We and our Controlling Shareholders have agreed to indemnify the Joint Global Coordinators, the Joint Bookrunners and the Hong Kong Underwriters for 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.

International Placing

International Underwriting Agreement

In connection with the International Placing, we and our Controlling Shareholders expect to enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions, will agree severally and not jointly to procure purchasers for, or themselves purchase, their respective proportions of the International Placing Shares being offered under the International Placing.

Under the International Underwriting Agreement, we expect to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the Listing Date up to (and including) the date which is the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 22,500,000 additional new Shares, representing in aggregate 15% of the number of Offer Shares initially available under the Global Offering. These Shares will be issued and sold at the Offer Price and will be solely for the purpose of covering over-allocations, if any, in the International Placing.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that if the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

We and our Controlling Shareholders will agree to indemnify the International Underwriters against certain liabilities.

Commissions and expenses

The Hong Kong Underwriters is expected to receive a commission of 5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commissions.

UNDERWRITING

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 International Underwriters and not the Hong Kong Underwriters.

The commissions payable to the Underwriters will be borne by our Company in relation to the new Shares to be issued under the Global Offering. Our Company may also in its sole discretion pay the Underwriters an additional incentive fee based on the marketing performance of the Underwriters.

Based on an Offer Price of HK\$0.65 per Share (being the mid-point of the indicative Offer Price range) and that the Over-allotment Option is not exercised, the total listing expenses (based on the mid-point of the offer price range stated in this prospectus) are estimated to be approximately HK\$38.6 million.

Underwriters' interest in our Group

Other than disclosed in the preceding paragraph, the obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement and, if applicable, the stock borrowing arrangement that may be entered into between the Stabilising Manager or its agent with Laos International, none of the Underwriters has any shareholding interests in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Sponsor's independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. Southwest HK Brokerage, Sinolink Securities and China Investment are the Joint Global Coordinators and Southwest HK Brokerage, Sinolink Securities, China Investment and Haitong International are the Joint Bookrunners in respect of the Hong Kong Public Offering and the International Placing.

The Global Offering consists of (subject to adjustment and the Over-allotment Option):

- (a) the Hong Kong Public Offering of 15,000,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described in “The Hong Kong Public Offering” below; and
- (b) the International Placing of 135,000,000 Shares (subject to adjustment as mentioned below) outside the United States (including to professional, institutional and other investors and other investors within Hong Kong) in offshore transactions in reliance on Regulation S as described in the paragraph headed “The International Placing” in this section.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Placing Shares under the International Placing, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to professional, institutional and other investors and other investors in Hong Kong. The International Placing will involve selective marketing of the International Placing Shares to professional, institutional and other investors and other investors expected to have a sizeable demand for the International Placing Shares. The International Underwriters are soliciting from prospective investors’ indications of interest in acquiring the International Placing Shares. Prospective investors will be required to specify the number of International Placing Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Hong Kong Offer Shares and International Placing Shares to be offered under the Hong Kong Public Offering and the International Placing, respectively, may be subject to reallocation as described in the paragraph headed “Pricing and allocation” in this section.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or about Friday, 31 August 2018 and, in any event, not later than Monday, 3 September 2018. The Offer Price will be not more than HK\$0.78 and is currently expected not to be less than HK\$0.52, unless otherwise announced, as further explained below not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price

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Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus. If, for any reason, the Offer Price is not agreed by 6:00 p.m. on Monday, 3 September 2018 between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

If, based on the level of interest expressed by prospective professional, institutional and corporate investors and other investors during the book-building process, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) consider it appropriate, the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may be reduced below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. 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 Thursday, 30 August 2018, being the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the Stock Exchange's website at www.hkexnews.hk, and on our Company's website at www.abbuildersgroup.com notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the offering statistics as currently set out in the section headed "Summary" in this prospectus and any other financial information which may change as a result of such reduction.

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 being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering.

If the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range is so reduced, applicants who have already submitted an application may or may not (depending on the information contained in the announcement) be notified that they are required to confirm their applications. All applicants who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid. In the absence of any notice being published of a reduction in the number of Offer Shares being offered under the Global Offering stated in this prospectus and the Application Forms, respectively, on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, once agreed upon, will under no circumstances be set outside the indicative Offer Price range as stated in this prospectus.

The Hong Kong Offer Shares and the International Placing Shares may, in certain circumstances, be reallocated as between the Hong Kong Public Offering and International Placing at the discretion of the Joint Global Coordinators.

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,

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and/or hold or sell Offer Shares after the Listing. Such allocation may be made to professional, institutional and corporate investors and other investors and is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Although the allocation of the Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The applicable Offer Price, level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Placing, the results of applications and basis of allotment of the Hong Kong Offer Shares are expected to be announced on Friday, 7 September 2018 through a variety of channels as described in “How to Apply for Hong Kong Offer Shares — 11. Publication of Results”.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on, inter alia:

- the Listing Committee granting the listing of, and permission to deal in, our Shares in issue (including our Shares that may be sold pursuant to any exercise of the Over-allotment Option) and our Shares being offered pursuant to the Global Offering (subject only to allotment);
- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- the obligations of the Underwriters under the respective Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions by the Joint Global Coordinators, for themselves and on behalf of the Underwriters) 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 respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published by us on the Stock Exchange’s website at www.hkexnews.hk and our company’s website at www.abbuildersgroup.com on the next

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, amongst other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Offer Shares are expected to be issued on Friday, 7 September 2018 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our Shares, which is expected to be on Monday, 10 September 2018, provided that (i) the Global Offering has become unconditional in all respects; and (ii) neither of the Underwriting Agreements have been terminated in accordance with its terms. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

Our Company is initially offering 15,000,000 Shares at the Offer Price under the Hong Kong Public Offering, representing 10% of the 150,000,000 Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares initially offered under the Hong Kong Public Offering will represent 2.5% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

In Hong Kong, individual retail investors are expected to apply for the Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking International Placing Shares will not be allotted International Placing Shares in the International Placing.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for the Hong Kong Offer Shares.

Offer Price Range

The Offer Price is expected to be fixed by agreement between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or about Friday, 31 August 2018 and, in any event, not later than Monday, 3 September 2018. The Offer Price will be not more than HK\$0.78 and is

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currently expected to be not less than HK\$0.52. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$0.78 per Share plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. If the Offer Price, as finally determined on the Price Determination Date, is lower than the maximum Offer Price, we will refund the respective difference (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

Allocation

For allocation purposes only, the 15,000,000 Shares initially being offered for subscription under the Hong Kong Public Offering (after taking into account any adjustment in the number of Offer Shares allocated between the Hong Kong Public Offering and the International Placing) will be divided equally into two pools (subject to adjustment at odd lot size). Pool A comprising 7,500,000 Hong Kong Offer Shares and Pool B comprising 7,500,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for the Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for the Hong Kong Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B, will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If the Hong Kong Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of the Hong Kong Offer Shares from either Pool A or Pool B but not from both pools, and may only apply for Hong Kong Offer Shares in either Pool A or Pool B. When there is oversubscription, allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering, both in relation to Pool A and Pool B, will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares. Multiple or suspected multiple applications and any application for more than 7,500,000 Hong Kong Offer Shares are liable to be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Placing, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or he has been or will be placed or allocated Offer Shares under the International Placing.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Reallocation and Clawback

The allocation of Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment and reallocation on the following basis.

- (a) Where the International Placing Shares are fully subscribed or oversubscribed:
 - (i) if the Hong Kong Offer Shares are undersubscribed, the Joint Global Coordinators has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Joint Global Coordinators deems appropriate;
 - (ii) if the Hong Kong Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 15,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 30,000,000 Offer Shares, representing approximately 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);
 - (iii) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 30,000,000 Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 45,000,000 Offer Shares, representing approximately 30% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option);
 - (iv) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 45,000,000 Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 60,000,000 Offer Shares, representing approximately 40% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option); and
 - (v) if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then 60,000,000 Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that

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the number of the Offer Shares available under the Hong Kong Public Offering will be increased to 75,000,000 Offer Shares, representing approximately 50% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

- (b) Where the International Placing Shares are undersubscribed:
- (i) if the Hong Kong Offer Shares are undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and
 - (ii) if the Hong Kong Offer Shares are oversubscribed, irrespective of the number of times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then up to 15,000,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be increased to 30,000,000 Offer Shares, representing approximately 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

In the event of reallocation of Offer Shares between the Hong Kong Public Offering and the International Placing in the circumstances where (x) the International Placing Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are oversubscribed by less than 15 times under paragraph (a)(ii) above or (y) the International Placing Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed under paragraph (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$0.52 per Offer Share) stated in this prospectus.

In addition, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) may reallocate the Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 30,000,000 Offer Shares.)

In the event of a reallocation of Offer Shares from the International Placing to the Hong Kong Public Offering in circumstances under paragraph (a)(ii), (a)(iii), (a)(iv), (a)(v) and (b)(ii) above, the number of Offer Shares allocated to the International Placing will be correspondingly reduced.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

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THE INTERNATIONAL PLACING

Number of International Placing Shares Offered

The number of International Placing Shares to be initially offered for subscription under the International Placing will be 135,000,000 Offer Shares representing 90% of the Offer Shares under the Global Offering. Subject to any reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offering, the International Placing Shares will represent approximately 90% of our enlarged issued share capital immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised. The International Placing is subject to the Hong Kong Public Offering becoming unconditional.

Allocation

Under the International Placing, the International Underwriters will conditionally place our Offer Shares with professional, institutional and corporate investors and other investors who we anticipate to have a sizeable demand for our Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Allocation of International Placing Shares under the International Placing will be effected in accordance with the “book-building” process described in the paragraph headed “Pricing and allocation” in this section and based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the Listing. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional Shareholder base for the benefit of our Company and our Shareholders as a whole.

Reallocation

The total number of International Placing Shares to be transferred pursuant to the International Placing may change as a result of the clawback arrangement described in the paragraph headed “The Hong Kong Public Offering — Reallocation and clawback” in this section, exercise of the Over-allotment Option in whole or in part and/or reallocation of all or any unsubscribed Hong Kong Offer Shares to the International Placing.

Over-allotment Option

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators at their sole and absolute discretion for itself and on behalf of the International Underwriters for up to 30 days after the last day for lodging applications under the Hong Kong Public Offering. An announcement will be made in the event that the Over-allotment Option is exercised. Pursuant to the Over-allotment Option, if the size of the Global Offering (excluding exercise of any options which may be granted) is more than HK\$100 million, the Joint Global Coordinators will have the right to require our Company to issue up to an aggregate of 22,500,000 Shares, representing in aggregate approximately 15% of the initial number of the Offer Shares under the Global Offering, at the Offer Price to cover

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over-allocations in the International Placing, if any. The Joint Global Coordinators may also cover any over-allocations by purchasing Shares in the secondary market or by a combination of purchases in the secondary market and a partial exercise of the Over-allotment Option. Any such secondary market purchase will be made in compliance with all applicable laws, regulations and rules.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the International Placing, the Stabilising Manager or any person acting for it may choose to borrow Shares from Laos International, under the Stock Borrowing Agreement, or acquire Shares from other sources, including the exercise of the Over-allotment Option. The Stock Borrowing Agreement will comply with the requirements set out in Rule 10.07(3) of the Listing Rules.

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 new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilising Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect short sales or any other stabilising transactions with a view to stabilising or maintaining 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 last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be issued under the Over-allotment Option, namely 22,500,000 Shares, which is 15% of the Offer Shares initially available under the Global Offering.

Stabilising action will be entered into in accordance with the laws, regulations and rules in place in Hong Kong on stabilisation and stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules under the SFO includes: (i) over-allocation for the purpose of preventing or minimising any reduction in the market price of our Shares; (ii) selling or agreeing to sell 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 subscribing for, or agreeing to purchase or subscribe for, 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

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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 held as a result of those purchases; and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v).

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (a) the Stabilising Manager, or any person acting for it, may, in connection with the stabilising action, maintain a long position in our Shares;
- (b) there is no certainty regarding the extent to which and the time period for which the Stabilising Manager, or any person acting for it, will maintain such a position;
- (c) liquidation of any such long position by the Stabilising Manager may have an adverse impact on the market price of our Shares;
- (d) no stabilising action can be taken to support the price of our Shares for longer than the stabilising period which will begin on the Listing Date following announcement of the Offer Price, and is expected to expire on 29 September 2018, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- (e) the price of our Shares cannot be assured to stay at or above the Offer Price either during or after the stabilising period by the taking of any stabilising action; and
- (f) stabilising bids may be made or transactions effected in the course of the stabilising action at any price at or below the Offer Price, which means that stabilising bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, our Shares.

Our Company will procure that an announcement in compliance with the Securities and Futures (Price Stabilising) Rules will be made within seven days of the expiration of the stabilising period.

In connection with the Global Offering, the Stabilising Manager may over-allocate up to and not more than an aggregate of 22,500,000 Shares and cover such over-allocations by various methods including the exercise of the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means. In particular, for the purpose of settlement of over-allocations in connection with the International Placing, the Stabilising Manager may borrow up to 22,500,000 Shares from Laos International, equivalent to the maximum number of Shares to be issued on full exercise of the Over-allotment Option, under the Stock Borrowing Agreement.

In the event that the size of the Global Offering (excluding the exercise of the Over-allotment Option) is less than HK\$100 million, no stabilising action will be taken by the Stabilising Manager.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Monday, 10 September 2018, it is expected that dealings in Shares on the Stock Exchange will commence at 9:00 a.m. on Monday, 10 September 2018.

Our Shares will be traded in board lots of 5,000 Shares each. The stock code of our Shares will be 1615.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date.

We expect that our Company will, on or about Friday, 31 August 2018, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Placing. Underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarised in the section headed “Underwriting” in this prospectus.

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 **eWhite Form** service at www.ewhiteform.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Global Coordinators, the **eWhite 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 **eWhite Form** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- 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.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept or reject your application at their discretion, and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **eWhite Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of shares in our Company and/or any our subsidiaries;
- a director or chief executive officer of our Company and/or any of our subsidiaries;
- a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering;
- a close 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 **www.ewhiteform.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 27 August 2018 till 12:00 noon on Thursday, 30 August 2018 from:

- (i) any of the following offices of the Hong Kong Underwriters:

Southwest Securities (HK) Brokerage Limited
40/F., Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Sinolink Securities (Hong Kong) Company Limited
Units 2503, 2505-06, 25/F Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

China Investment Securities International Brokerage Limited
Unit Nos. 7701A & 05B-08
Level 77 International Commerce Centre
1 Austin Road West
Kowloon, Hong Kong

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

BMI Securities Limited
Units 909-916, 9/F
Shui On Centre
6-8 Harbour Road
Wanchai, Hong Kong

- (ii) any of the following branches of the receiving bank, Bank of China (Hong Kong) Limited:

	Branch name	Address
Hong Kong Island	King's Road Branch	131-133 King's Road, North Point, Hong Kong
	Central District (Wing On House) Branch	B/F-2/F, Wing On House, 71 Des Voeux Road Central, Hong Kong
Kowloon	Shanghai Street (Mong Kok) Branch	611-617 Shanghai Street, Mong Kok, Kowloon
The New Territories	Tuen Mun San Hui Branch	G13-G14 Eldo Court, Heung Sze Wui Road, Tuen Mun, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, 27 August 2018 till 12:00 noon on Thursday, 30 August 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to BANK OF CHINA (HONG KONG) NOMINEES LIMITED - AB BUILDERS PUBLIC OFFER for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Monday, 27 August 2018 — 9:00 a.m. to 5:00 p.m.

Tuesday, 28 August 2018 — 9:00 a.m. to 5:00 p.m.

Wednesday, 29 August 2018 — 9:00 a.m. to 5:00 p.m.

Thursday, 30 August 2018 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, 30 August 2018, the last application day or such later time as described in paragraph headed "Effect of bad weather on the opening of the application 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 **eWhite Form** service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Cayman Companies Law, the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

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- (vi) agree that none of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any International Placing Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters and/or their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering 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 Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor and the Underwriters nor any of their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the 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;

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- (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 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 will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **eWhite 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 **eWHITE FORM SERVICE**

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **eWhite Form** service for the Hong Kong Offer Shares to be allotted and registered in their own names through the designated website at www.ewhiteform.com.hk.

Detailed instructions for application through the **eWhite 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 at www.ewhiteform.com.hk, you authorise the **eWhite Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **eWhite Form** service.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Time for Submitting Applications under the eWhite Form Service

You may submit your application to the **eWhite Form** service at **www.ewhiteform.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, 27 August 2018 until 11:30 a.m. on Thursday, 30 August 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon Thursday, 30 August 2018 or such later time under the “Effect of Bad Weather on the Opening of the Applications Lists” below.

No Multiple Applications

If you apply by means of the **eWhite Form** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **eWhite Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **eWhite Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **eWhite 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).

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HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and the Hong Kong Branch Share Registrar.

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 International Placing Shares under the International Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

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- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors 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;
- agree that none of our Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, 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

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application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of our Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Cayman Companies Law, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Memorandum and Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

EFFECT OF GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the 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

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- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the WHITE Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 5,000 Hong Kong Offer Shares. Instructions for more than 5,000 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:

Monday, 27 August 2018 — 9 a.m. to 8:30 p.m.
Tuesday, 28 August 2018 — 8 a.m. to 8:30 p.m.
Wednesday, 29 August 2018 — 8 a.m. to 8:30 p.m.
Thursday, 30 August 2018 — 8 a.m. to 12:00 noon

Note:

- (1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Monday, 27 August 2018 until 12:00 noon on Thursday, 30 August 2018 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Thursday, 30 August 2018, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” below.

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.

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Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, 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 **eWhite Form** service is also only a facility provided by the **eWhite 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 Joint Bookrunners, the Sole Sponsor, the Joint Global Coordinators, 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 **eWhite Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, 30 August 2018 or such later time under the paragraph headed “Effect of bad weather on the opening of the application lists” in this section.

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,

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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 (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or through the **eWhite 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 our company;
- control more than half of the voting power of our company; or
- hold more than half of the issued share capital of our company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE 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 **eWhite Form** service in respect of a minimum of 5,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 5,000 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.ewhiteform.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

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For further details on the Offer Price, please refer to the section headed “Structure and conditions of the Global Offering — Pricing and allocation” in this prospectus.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. to 12:00 noon on Thursday, 30 August 2018. Instead they will open between 11:45 a.m. to 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. to 12:00 noon.

If the application lists do not open and close on Thursday, 30 August 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Friday, 7 September 2018 on our Company’s website at **www.abbuildersgroup.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at **www.abbuildersgroup.com** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 9:00 a.m. on Friday, 7 September 2018;
- from the designated results of allocations website at **www.ewhiteform.com.hk/results** with a “search by ID” function on a 24-hour basis from 9:00 a.m. on Friday, 7 September 2018 to 12:00 midnight on Thursday, 13 September 2018;
- by telephone enquiry line by calling 21531688 between 9:00 a.m. and 6:00 p.m. from Friday, 7 September 2018 to Thursday, 13 September 2018 on a Business Day (excluding Saturday, Sunday and Public Holidays);
- in the special allocation results booklets which will be available for inspection during opening hours from Friday, 7 September 2018 to Tuesday, 11 September 2018 at all the designated receiving bank branches.

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If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure and conditions of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or the **eWhite Form** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement 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.

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(ii) **If our Company or our agents exercise their discretion to reject your application:**

Our Company, the Joint Global Coordinators, the **eWhite 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 does not grant permission to list our Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **eWhite Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- Our Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, regulations or rules; or
- your application is for more than 7,500,000 Hong Kong Offer Shares under the Hong Kong Public Offering.

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13. REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares or if your 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\$0.78 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure and conditions of the Global Offering — Conditions of the Hong Kong Public Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Friday, 7 September 2018.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of our Shares. No receipt will be issued for sums paid on application.

If you apply by **WHITE** or **YELLOW** Application Forms, 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-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).

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or about Friday, 7 September 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Monday, 10 September 2018 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) *If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 7 September 2018 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 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 Friday, 7 September 2018, by ordinary post and at your own risk.

(ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 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 Friday, 7 September 2018, 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 Friday, 7 September 2018, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

(iii) *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For 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 Offering in the manner described in "11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 7 September 2018 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.

(iv) *If you apply through the eWhite Form service*

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from the Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 7 September 2018, or such other date as notified by our Company as the date of despatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Friday, 7 September 2018 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

HOW TO APPLY FOR THE HONG KONG OFFER SHARES

(v) *If you apply via Electronic Application Instructions to HKSCC*

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 7 September 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "11. Publication of Results" above on Friday, 7 September 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. Friday, 7 September 2018 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 7 September 2018. 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 of 1.0%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 7 September 2018. No interest will be paid thereon.

15. ADMISSION OF OUR SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report set out on pages I-1 to I-85, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.

Deloitte.**德勤****ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF AB BUILDERS GROUP LIMITED AND SOUTHWEST SECURITIES (HK) CAPITAL LIMITED****Introduction**

We report on the historical financial information of AB Builders Group Limited (the "Company") (formerly known as AB Group Holdings Limited) and its subsidiaries (together, the "Group") set out on pages I-4 to I-85, which comprises the consolidated statements of financial position of the Group as at 31 December 2014, 2015, 2016, 2017 and 31 May 2018, the statements of financial position of the Company as at 31 December 2017 and 31 May 2018, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the four years ended 31 December 2017 and the five months ended 31 May 2018 (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-85 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 27 August 2018 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 December 2014, 2015, 2016, 2017 and 31 May 2018, of the Company's financial position as at 31 December 2017 and 31 May 2018 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation as set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the five months ended 31 May 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange 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 dividends declared by the Company's subsidiaries in respect of the Track Record Period and states that no dividends have been paid by the Company since its incorporation.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

27 August 2018

HISTORICAL FINANCIAL INFORMATION OF THE GROUP**Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Macau Pataca ("MOP") and all values are rounded to the nearest thousand (MOP'000) except when otherwise indicated.

HISTORICAL FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 December				Five months ended 31 May	
		2014	2015	2016	2017	2017	2018
		MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
						(unaudited)	
Revenue	6	524,729	399,079	371,255	185,201	72,075	96,118
Cost of sales		(471,316)	(348,063)	(312,551)	(135,205)	(58,163)	(72,055)
Gross profit		53,413	51,016	58,704	49,996	13,912	24,063
Other income	8	25,792	23,018	23,637	13,945	10,737	683
Other losses	9	(1,126)	(686)	(400)	(113)	(20)	(69)
Allowance for doubtful debts	12	—	—	(3,170)	—	—	—
Reversal of allowance for doubtful debts	12	—	—	5,750	2,637	—	—
Administrative expenses		(17,857)	(13,153)	(14,077)	(14,990)	(6,296)	(6,427)
Listing expenses		—	—	(3,045)	(10,196)	(4,394)	(1,817)
Finance costs	10	(4,038)	(1,426)	(1,122)	(706)	(321)	—
Share of profit of a joint venture	17	2,535	622	167	—	—	—
Profit before taxation		58,719	59,391	66,444	40,573	13,618	16,433
Income tax expense	11	(4,869)	(5,505)	(6,178)	(4,772)	(1,235)	(2,009)
Profit for the year/period	12	53,850	53,886	60,266	35,801	12,383	14,424
Other comprehensive expense							
<i>Item that may be reclassified subsequently to profit or loss:</i>							
Share of exchange differences of a joint venture	17	(22)	(415)	(709)	—	—	—
Total comprehensive income for the year/period		53,828	53,471	59,557	35,801	12,383	14,424
Profit for the year/period attributable to:							
Owners of the Company		53,850	53,886	60,266	35,801	12,383	14,424
Non-controlling interests		—	—	—	—	—	—
		53,850	53,886	60,266	35,801	12,383	14,424
Total comprehensive income attributable to:							
Owners of the Company		53,828	53,471	59,557	35,801	12,383	14,424
Non-controlling interests		—	—	—	—	—	—
		53,828	53,471	59,557	35,801	12,383	14,424
Earnings per share	15						
- Basic (MOP)		0.12	0.12	0.13	0.08	0.03	0.03

STATEMENTS OF FINANCIAL POSITION

	NOTES	The Group					The Company		
		As at 31 December					As at	As at	As at
		2014	2015	2016	2017	31 May	31 December	31 May	
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000		
Non-current assets									
Property, plant and equipment	16	861	706	46,887	45,573	44,989	—	—	
Interest in a joint venture	17	7,658	7,865	—	—	—	—	—	
Amount due from a director	18	200,395	218,931	—	—	—	—	—	
Amount due from a related company	18	12,025	13,136	—	—	—	—	—	
Investment in a subsidiary		—	—	—	—	—	— [#]	— [#]	
		<u>220,939</u>	<u>240,638</u>	<u>46,887</u>	<u>45,573</u>	<u>44,989</u>	<u>—</u>	<u>—</u>	
Current assets									
Trade and other receivables	19	52,804	57,788	44,871	32,001	52,820	4,384	5,225	
Contract assets	20	43,837	45,074	47,981	53,987	31,795	—	—	
Contract costs	20	—	36,317	—	—	—	—	—	
Amounts due from related companies	18	4,357	638	14,989	—	—	—	—	
Amount due from a director	18	48,146	92,264	284,619	—	—	—	—	
Pledged bank deposits	21	96,049	55,303	67,722	65,169	65,575	—	—	
Bank balances and cash	21	<u>39,292</u>	<u>7,252</u>	<u>69,934</u>	<u>56,621</u>	<u>56,792</u>	<u>—</u>	<u>—</u>	
		<u>284,485</u>	<u>294,636</u>	<u>530,116</u>	<u>207,778</u>	<u>206,982</u>	<u>4,384</u>	<u>5,225</u>	

[#] Less than MOP1,000

APPENDIX I
ACCOUNTANTS' REPORT

	NOTES	The Group					The Company	
		As at 31 December					As at	As at
		2014	2015	2016	2017	31 May	31 December	31 May
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	
Current liabilities								
Trade and other								
payables	22	106,777	145,018	115,471	103,616	93,385	2,186	55
Contract liabilities	20	14,770	971	1,599	9,087	1,505	—	—
Amounts due to related								
companies	18	5,344	18,150	16,238	—	—	—	—
Amount due to a								
director	18	12,027	12,027	12,027	—	—	—	—
Amount due to a								
subsidiary	18	—	—	—	—	—	12,449	17,275
Tax payable		9,116	10,608	14,000	12,858	14,867	—	—
Bank overdrafts	21	42,161	430	93	—	—	—	—
Bank borrowings	23	51,575	30,945	41,260	—	—	—	—
		<u>241,770</u>	<u>218,149</u>	<u>200,688</u>	<u>125,561</u>	<u>109,757</u>	<u>14,635</u>	<u>17,330</u>
Net current assets								
(liabilities)		<u>42,715</u>	<u>76,487</u>	<u>329,428</u>	<u>82,217</u>	<u>97,225</u>	<u>(10,251)</u>	<u>(12,105)</u>
Net assets (liabilities)		<u>263,654</u>	<u>317,125</u>	<u>376,315</u>	<u>127,790</u>	<u>142,214</u>	<u>(10,251)</u>	<u>(12,105)</u>
Capital and reserves								
Equity attributable to the owners of the Company								
Share capital	24	—#	—#	—#	—#	—#	—#	—#
Reserves		<u>263,638</u>	<u>317,109</u>	<u>376,315</u>	<u>127,790</u>	<u>142,214</u>	<u>(10,251)</u>	<u>(12,105)</u>
		263,638	317,109	376,315	127,790	142,214	(10,251)	(12,105)
Non-controlling interests		<u>16</u>	<u>16</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total equity		<u>263,654</u>	<u>317,125</u>	<u>376,315</u>	<u>127,790</u>	<u>142,214</u>	<u>(10,251)</u>	<u>(12,105)</u>

Less than MOP1,000

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company						Non-controlling interests	Total equity
	Share capital	Legal reserve	Other reserve	Exchange reserve	Retained earnings	Total		
	MOP'000	MOP'000 (Note(i))	MOP'000 (Notes(ii) and (iii))	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
At 1 January 2014	— [#]	6,000	(82,103)	372	289,037	213,306	16	213,322
Profit for the year	—	—	—	—	53,850	53,850	—	53,850
Other comprehensive expense for the year	—	—	—	(22)	—	(22)	—	(22)
Total comprehensive (expense) income for the year	—	—	—	(22)	53,850	53,828	—	53,828
Deemed distribution (note 18(b))	—	—	(3,496)	—	—	(3,496)	—	(3,496)
At 31 December 2014	— [#]	6,000	(85,599)	350	342,887	263,638	16	263,654
Profit for the year	—	—	—	—	53,886	53,886	—	53,886
Other comprehensive expense for the year	—	—	—	(415)	—	(415)	—	(415)
Total comprehensive (expense) income for the year	—	—	—	(415)	53,886	53,471	—	53,471
At 31 December 2015	— [#]	6,000	(85,599)	(65)	396,773	317,109	16	317,125
Profit for the year	—	—	—	—	60,266	60,266	—	60,266
Other comprehensive expense for the year	—	—	—	(709)	—	(709)	—	(709)
Total comprehensive (expense) income for the year	—	—	—	(709)	60,266	59,557	—	59,557
Disposal of subsidiaries (note 25)	—	—	22	—	—	22	(16)	6
Disposal of a joint venture (note 17)	—	—	(1,147)	774	—	(373)	—	(373)
At 31 December 2016	— [#]	6,000	(86,724)	—	457,039	376,315	—	376,315
Profit and total comprehensive income for the year	—	—	—	—	35,801	35,801	—	35,801
Dividend recognised as distribution (note 13)	—	—	—	—	(284,326)	(284,326)	—	(284,326)
At 31 December 2017	— [#]	6,000	(86,724)	—	208,514	127,790	—	127,790
Profit and total comprehensive income for the period	—	—	—	—	14,424	14,424	—	14,424
At 31 May 2018	— [#]	6,000	(86,724)	—	222,938	142,214	—	142,214
At 1 January 2017	— [#]	6,000	(86,724)	—	457,039	376,315	—	376,315
Profit and total comprehensive income for the period	—	—	—	—	12,383	12,383	—	12,383
At 31 May 2017 (unaudited)	— [#]	6,000	(86,724)	—	469,422	388,698	—	388,698

[#] Less than MOP1,000

Notes:

- (i) In accordance with the Article 377 of the Commercial Code of Macau Special Administrative Region, the subsidiaries registered in Macau are required to transfer part of their profits of each accounting period of not less than 25% to legal reserve, until the amount reaches an amount equal to half of the respective share capital.
- (ii) Other reserve includes the fair value adjustments recognised in equity as deemed distribution to Mr. Lao (as defined in note 2) for advances to New Zone Development (as defined in note 18) and Mr. Lao as disclosed in notes 18(b) and 18(h), respectively.
- (iii) As part of the Reorganisation (as defined in note 2), there were disposal of subsidiaries and a joint venture to companies controlled by the Controlling Shareholders (as defined in note 2) resulting in a gain of MOP22,000 (as disclosed in note 25) and a loss of MOP1,147,000 (as disclosed in note 17), respectively. These are regarded as equity transactions and recognised in other reserve.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December				Five months ended 31 May	
	2014	2015	2016	2017	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
						<i>(unaudited)</i>
Operating activities						
Profit before taxation	58,719	59,391	66,444	40,573	13,618	16,433
Adjustments for:						
Depreciation of property, plant and equipment	301	332	259	1,512	626	654
Imputed interest income	(17,466)	(19,647)	(21,466)	(11,467)	(9,520)	—
Bank interest income	(2,247)	(1,407)	(1,054)	(1,847)	(760)	(565)
Interest expense	4,038	1,426	1,122	706	321	—
Allowance for doubtful debts	—	—	3,170	—	—	—
Reversal of allowance for doubtful debts	—	—	(5,750)	(2,637)	—	—
Share of profit of a joint venture	(2,535)	(622)	(167)	—	—	—
Loss on disposal/written off of property, plant and equipment	—	—	219	—	—	—
Operating cash flows before movements in working capital	40,810	39,473	42,777	26,840	4,285	16,522
(Increase) decrease in trade and other receivables	(3,073)	(4,999)	16,460	16,838	25,230	(17,850)
(Increase) decrease in contract assets	(24,637)	(1,237)	(2,907)	(6,006)	(8,125)	22,192
(Increase) decrease in contract costs	—	(36,317)	36,317	—	—	—
Increase (decrease) in trade and other payables	61,355	38,215	(29,525)	(11,814)	9,614	(10,231)
Increase (decrease) in contract liabilities	14,070	(13,799)	628	7,488	17,880	(7,582)
(Decrease) increase in amounts due to related companies	(86)	2,491	(1,961)	(1,239)	(1,022)	—
Cash generated from operations	88,439	23,827	61,789	32,107	47,862	3,051
Macau Complementary Tax paid	(327)	(4,013)	(2,786)	(5,914)	(75)	—
Net cash from operating activities	88,112	19,814	59,003	26,193	47,787	3,051

	NOTES	Year ended 31 December				Five months ended 31 May	
		2014	2015	2016	2017	2017	2018
		MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
							<i>(unaudited)</i>
Investing activities							
Advance to a director		(69,712)	(120,416)	(971)	(531)	(405)	—
Placement of pledged deposits		(12,157)	(8,946)	(12,419)	(5,612)	—	—
Advance to related companies		(19,351)	(103)	—	—	—	—
Purchase of property, plant and equipment		(346)	(177)	(1,864)	(198)	(3)	(70)
Proceeds from disposal of property, plant and equipment		—	—	75	—	—	—
Proceeds from disposal of subsidiaries as part of the Reorganisation	25	—	—	49	—	—	—
Proceeds from disposal of a joint venture as part of the Reorganisation	17	—	—	6,950	—	—	—
Release of pledged deposits		10,437	49,692	—	8,165	—	—
Repayment from a director		41,517	76,298	2,934	210	83	—
Repayment from related companies		176	3,822	—	44	44	—
Interest received		2,235	1,422	1,058	1,803	672	161
Net cash (used in) from investing activities		(47,201)	1,592	(4,188)	3,881	391	91
Financing activities							
New bank borrowings raised		20,630	41,260	45,386	—	—	—
Advance from related companies		4,635	10,315	—	—	—	—
Advance from a director		—	6,682	5,016	819	777	—
Repayment of bank borrowings		(30,945)	(61,890)	(35,071)	(41,260)	—	—
Repayment to a director		—	(6,682)	(5,016)	(819)	(777)	—
Issue costs paid		—	—	(967)	(1,287)	(521)	(2,971)
Interest paid		(4,088)	(1,400)	(1,144)	(747)	(362)	—
Net cash (used in) from financing activities		(9,768)	(11,715)	8,204	(43,294)	(883)	(2,971)
Net increase (decrease) in cash and cash equivalents		31,143	9,691	63,019	(13,220)	47,295	171
Cash and cash equivalents at the beginning of the year/period		(34,012)	(2,869)	6,822	69,841	69,841	56,621

APPENDIX I**ACCOUNTANTS' REPORT**

	Year ended 31 December				Five months ended 31 May	
	2014	2015	2016	2017	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Cash and cash equivalents at the end of the year/period	<u>(2,869)</u>	<u>6,822</u>	<u>69,841</u>	<u>56,621</u>	<u>117,136</u>	<u>56,792</u>
Represented by:						
Bank balances and cash	39,292	7,252	69,934	56,621	117,182	56,792
Less: bank overdrafts	<u>(42,161)</u>	<u>(430)</u>	<u>(93)</u>	<u>—</u>	<u>(46)</u>	<u>—</u>
	<u>(2,869)</u>	<u>6,822</u>	<u>69,841</u>	<u>56,621</u>	<u>117,136</u>	<u>56,792</u>

Note: During the year ended 31 December 2017, a dividend of MOP284,326,000 was declared and settled through offsetting the amount due from Mr. Lao (as defined in note 2), which constituted a major non-cash transaction as disclosed in note 31(iii), details of the said offset are set out in note 18(h).

NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1. GENERAL INFORMATION**

The Company was incorporated in the Cayman Islands with limited liability on 23 February 2017. The address of the registered office and principal place of business are stated in the “Corporate Information” section of the Prospectus. Pursuant to a special resolution passed by the shareholders of the Company on 12 April 2017, the Company’s name was changed from AB Group Holdings Limited to AB Builders Group Limited.

The Company is an investment holding company. The principal activity of the Group is provision of construction services including structural works and fitting-out works.

The presentation and functional currency of the Company is MOP.

2. REORGANISATION AND BASIS OF PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

SFS Construction Holdings Limited (“SFS BVI”), the then holding company of the Group were held as to 70% by Laos International Holdings Limited (“Laos International”), a company incorporated in the British Virgin Islands (the “BVI”) with limited liability and wholly owned by Mr. Lao Chio Seng (“Mr. Lao”), and 30% by WHM Holdings Limited (“WHM Holdings”), a company incorporated in the BVI with limited liability and wholly owned by Ms. Wong Hio Mei, spouse of Mr. Lao (“Mrs. Lao”). Mr. Lao and Mrs. Lao are collectively referred to as the “Controlling Shareholders”. In preparation for the listing of the Company’s shares on the Stock Exchange (the “Listing”), the entities in the Group underwent a group reorganisation (the “Reorganisation”).

The principal steps of the Reorganisation are as follows:

- (a) In order to streamline the corporate structure of the Group, on 22 November 2016, SFS Construction Macau (as defined in note 32) entered into an equity transfer agreement with New Kingdom (as defined in note 17), a wholly-owned subsidiary of Red Development (as defined in note 18), pursuant to which SFS Construction Macau disposed of its 60% equity interest in a joint venture, Jiangmen Jinying (as defined in note 5) to New Kingdom at a cash consideration of Renminbi (“RMB”) 6,000,000 (equivalent to approximately MOP6,950,000). The transaction was completed on 7 December 2016, and the consideration was determined with reference to the paid-up capital of Jiangmen Jin Ying.
- (b) In order to streamline the corporate structure of the Group, SFS Construction Macau entered into a sale and purchase agreement with Red Development on 30 December 2016, pursuant to which SFS Construction Macau transferred its 98% of equity interest in New Generation (as defined in note 32) to Red Development, at a cash consideration of MOP49,000. The consideration was determined with reference to the nominal value of its share capital as New Generation is dormant since its incorporation.

- (c) The Company was incorporated in Cayman Islands on 23 February 2017. The initial authorised share capital of the Company is HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. On the same date, 7,000 nil-paid shares and 3,000 nil-paid shares were allotted to Laos International and WHM Holdings, respectively. Hence, the Company's issued share capital is owned as to 70% and 30% by Laos International and WHM Holdings, respectively.
- (d) On 15 September 2017, the Company acquired the entire issued share capital of SFS BVI from Laos International and WHM Holdings. The consideration for this acquisition is satisfied by the 7,000 nil-paid Shares held by Laos International and the 3,000 nil-paid Shares held by WHM Holdings being credited as fully paid and further allotment and issue of, credited as fully paid, 7,000 Shares to Laos International and 3,000 Shares to WHM Holdings.

The Reorganisation was completed on 15 September 2017 and since then, the Company became the holding company of the companies comprising the Group.

The Group resulting from the above mentioned Reorganisation is regarded as a continuing entity and the Historical Financial Information of the Group has been prepared using carrying amounts of assets and liabilities of SFS BVI and the Company as if the Company had been the holding company of SFS BVI and its subsidiaries throughout the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the years ended 31 December 2014, 2015, 2016 and 2017 include the results, changes in equity and cash flows of the entities comprising the Group as if the current group structure had been in existence throughout the relevant years, taking into consideration of the dates of disposals, where appropriate.

The consolidated statements of financial position of the Group as at 31 December 2014, 2015 and 2016 have been prepared to present the assets and liabilities of the entities comprising the Group as if the current group structure had been in existence at those dates, taking into account the dates of disposals, where applicable.

3. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with IFRSs, International Accounting Standards ("IASs"), amendments and the related interpretations ("IFRICs") issued by the IASB which are effective for the accounting periods beginning on 1 January 2018 throughout the Track Record Period, except that the Group adopted IFRS 9 "Financial Instruments" on 1 January 2018 and applied IAS 39 "Financial Instruments: Recognition and Measurement" for the four years ended 31 December 2017. The accounting policies for financial instruments under IFRS 9 are set out in note 4 below.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

The table below illustrates the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

The Group

	Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39 <i>MOP'000</i>	New carrying amount under IFRS 9 <i>MOP'000</i>
Trade and other receivables (note 19)	Loans and receivables	Financial assets at amortised cost	20,714	20,714
Pledged bank deposits (note 21)	Loans and receivables	Financial assets at amortised cost	65,169	65,169
Bank balances and cash (note 21)	Loans and receivables	Financial assets at amortised cost	56,621	56,621
Trade and other payables (note 22)	Financial liabilities at amortised cost	Financial liabilities at amortised cost	39,378	39,378

The Company

	Original measurement category under IAS 39	New measurement category under IFRS 9	Original carrying amount under IAS 39 <i>MOP'000</i>	New carrying amount under IFRS 9 <i>MOP'000</i>
Amount due to a subsidiary (note 18)	Financial liabilities at amortised cost	Financial liabilities at amortised cost	12,449	12,449

The Group and the Company have not recognised additional impairment loss allowance upon the initial recognition of IFRS 9 on 1 January 2018 as the amounts involved are insignificant.

At the date of this report, IASB has issued the following new and revised IFRSs that are not yet effective. The Group has not early adopted these new and revised IFRSs.

IFRS 16	Leases ¹
IFRS 17	Insurance Contracts ³
IFRIC 23	Uncertainty over Income Tax Treatments ¹
Amendments to IFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement ¹
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015-2017 Cycle ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after a date to be determined

³ Effective for annual periods beginning on or after 1 January 2021

The management of the Group anticipates that the application of the new and amendments to standards will have no material impact on the financial statements of the Group in the future.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with accounting policies which conform with IFRSs issued by the IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The Historical Financial Information have been prepared on the historical cost basis as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 “Share-based Payment”, leasing transactions that are within the scope of IAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 “Inventories” or value in use in IAS 36 “Impairment of Assets”.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Track Record Period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

When the Group loses control of a subsidiary, a gain or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investment in a joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of a joint venture are incorporated in the Historical Financial Information using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss (as a reclassification adjustment) when the equity method is discontinued.

When a group entity transacts with a joint venture of the Group, profit and losses resulting from the transactions with the joint venture are recognised in the Historical Financial Information only to the extent of interests in the joint venture that are not related to the Group.

Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to customers.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if:

- the customer simultaneously receives and consumes the benefits provided by the entity’s performance as the entity performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control of a product or service to a customer. The Group’s major source of revenue is its revenue from construction contracts for provision of structural works and fitting-out works.

*Provision of structural works and fitting-out works**Recognition*

The Group provides structural works and fitting-out works based on contracts entered with customers. Such contracts are entered into before the services begin. Under the terms of the contracts, the structural works and fitting-out works performed by the Group creates or enhances a property that the customers controls as the property is created or enhanced. Revenue from provision of structural works and fitting-out works is therefore recognised over time using output method, i.e. based on surveys of structural works and fitting-out works completed by the Group to date with reference to payment certificates issued by architects, surveyors or other representatives appointed by the customer. The directors of the Company consider that output method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations under IFRS 15 "Revenue from Contracts with Customers".

For contracts that contain variable consideration (i.e. variation order), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price 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 each reporting period and the change in circumstances during the reporting period.

For warranty embedded to the construction contracts, the Group accounts for the warranty in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" unless the warranty provides the customer with a service in addition to the assurance that the contracting work complies with the agreed-upon specifications.

If at any time the unavoidable costs of meeting contractual obligations are estimated to exceed the remaining amount of the economic benefits expected to be received under the contract, then a provision is recognised in accordance with policy set out in "Onerous contracts" below.

Contract assets or liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Groups' unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contract asset is recognised when (i) the Group completes the structural works and fitting-out work under such services contracts but yet certified by architects, surveyors or other representatives appointed by customers, or (ii) the customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.

Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

- (a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- (b) the costs generate or enhance resources of the entity 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 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 cost relate. The asset is subject to impairment review.

Other income

The Group also has the following sources of major other income.

Consultancy fee income is recognised at a point in time when consultancy services have been provided and the Group has a present right to payment for the services.

Income from scrap material sales is recognised when control of the scrap materials has been transferred to the customers being at the point the scrap materials are delivered to the customers and is presented net of the cost of the material.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

When the lease payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

Retirement benefit costs

Payments to the Social Security Fund Contribution in Macau are recognised as an expense when employees have rendered services entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from “profit before taxation” as reported in the consolidated statements of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business consolidation) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments (before the adoption of IFRS 9 on 1 January 2018)

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair values of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, amounts due from related companies, amount due from a director, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets and contract assets

Financial assets and contract assets are assessed for indicators of impairment at the end of each reporting period. Financial assets and contract assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets and contract assets, the estimated future cash flows of the financial assets and contract assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, and contract assets, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of

impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period or observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost and contract assets, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

The carrying amounts of the financial asset and contract assets are reduced by the impairment loss directly for all financial assets and contract assets with the exception of trade receivables, where the carrying amounts are reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost and contract assets, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amounts due to related companies, amount due to a director, amount due to a subsidiary, bank overdrafts and bank borrowings) are subsequently measured at amortised cost using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Financial instruments (upon the adoption of IFRS 9 on 1 January 2018)

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair values of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

All recognised financial assets are subsequently measured their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with IFRS 15.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant periods.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses (“ECL”), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the “other income” line item.

Impairment of financial assets and contract assets under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment (including trade and other receivables, amounts due from related companies, pledged bank deposits and bank balances and cash) and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instruments.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors based on the Group's internal credit rating, historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12m ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the end of each reporting period with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered included the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time of the extent to which the fair value of a financial asset has been less than its amortised cost;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- a) significant financial difficulty of the issuer or the counterparty;

- b) a breach of contract, such as a default or past due event;
- c) the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or
- d) it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the end of each reporting period.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- nature of financial instruments;
- past-due status;
- nature, size and industry of debtors; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of a group entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, canceled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the Group's interests.

For the purposes of presenting the Historical Financial Information, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. MOP) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for each of the reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss, except for disposal as part of Reorganisation which is accounted for as equity transaction and recognised in other reserve.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment on tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where 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.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the management of the Group is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgement in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Joint control over Jiangmen Jin Ying Construction & Engineering Co., Ltd (“Jiangmen Jin Ying”)

As at 31 December 2014 and 2015, the Group held 60% equity interests in Jiangmen Jin Ying and it is accounted as a joint venture of the Group. Details are set out in note 17.

The management of the Group assessed whether or not the Group has control over Jiangmen Jin Yin based on whether the Group has the practical ability to direct the relevant activities of Jiangmen Jin Yin unilaterally. In making their judgement, the management of the Group considered the Group does not have control over Jiangmen Jin Yin because under the relevant shareholders' agreement, decisions on operating and financing activities of Jiangmen Jin Yin require unanimous consent from all joint venture partners. After assessment, the management of the Group concluded that neither the Group nor the other joint venture partner has the ability to control Jiangmen Jin Yin unilaterally and therefore it is considered as jointly controlled by the Group and the joint venture partner.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimation uncertainty on construction contracts

The Group reviews and revises the estimates of contract revenue, contract costs, variations in contract work, claims and incentive payments prepared for each construction contract as the contract progresses. Budgeted contract costs are prepared by the management on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred.

Recognised amounts of contract revenue and related contract assets and receivables reflect management's best estimate of each contract's outcome and value of works completed, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going construction contracts. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each reporting period, which would affect the revenue and profit or loss recognised in future years as an adjustment to the amounts recorded to date.

Estimated impairment of trade receivables and contract assets

Prior to the adoption of IFRS 9 on 1 January 2018, the management of the Group assesses at the end of each reporting period whether there is any objective evidence that trade receivables and contract assets are impaired. The provision policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of trade receivables and contract assets, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

As at 31 December 2014, 2015, 2016 and 2017, the carrying amounts of trade receivables and contract assets are MOP81,080,000, MOP87,041,000, MOP85,230,000 and MOP72,457,000 (net of allowance for doubtful debts of MOP13,223,000, MOP13,223,000, MOP3,170,000 and MOP533,000, respectively).

Since the adoption of IFRS 9 on 1 January 2018, the management of the Group estimates the amount of impairment loss for ECL on trade receivables and contract assets based on the credit risk of trade receivables and contract assets. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 May 2018, the carrying amount of trade receivables and contract assets is MOP66,245,000 (net of allowance for doubtful debts of MOP533,000).

6. REVENUE

Revenue represents the amounts received and receivable for construction of structural works and fitting-out works rendered by the Group to customers.

An analysis of the Group's revenue is as follows:

	Year ended 31 December				Five months ended 31 May	
	2014	2015	2016	2017	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
	<i>(unaudited)</i>					
<i>Recognised over time</i>						
Contract revenue from provision of structural works	439,477	199,878	131,592	21,402	—	22,028
Contract revenue from provision of fitting-out works	<u>85,252</u>	<u>199,201</u>	<u>239,663</u>	<u>163,799</u>	<u>72,075</u>	<u>74,090</u>
	<u>524,729</u>	<u>399,079</u>	<u>371,255</u>	<u>185,201</u>	<u>72,075</u>	<u>96,118</u>

Structural works and fitting-out works represent performance obligations that the Group satisfies over time for each respective contract. The period of structural works and fitting-out works varies from 1 to 3 years.

Transaction price allocated to the remaining performance obligations

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of each reporting period.

An analysis of the Group's revenue is as follows:

	Year ended 31 December				Five months ended
	2014	2015	2016	2017	31 May 2018
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Provision of structural works	271,225	138,235	10,441	65,327	67,178
Provision of fitting-out works	412,181	235,780	143,057	79,297	163,256
	<u>683,406</u>	<u>374,015</u>	<u>153,498</u>	<u>144,624</u>	<u>230,434</u>

Based on the information available to the Group at the end of each reporting period, the management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts as of 31 December 2014, 2015, 2016 and 2017 and 31 May 2017 and 2018 will be recognised as revenue during the years ended/ending 31 December 2015 to 31 December 2020 in respect of provision of structural works and during the years ended/ending 31 December 2015 to 31 December 2019 in respect of provision of fitting-out works, respectively.

7. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM"), being the management of the Group, in order for CODM to allocate resources and to assess performance. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable and operating segments under IFRS 8 "Operating Segments" are as follows:

- (a) Structural works; and
- (b) Fitting-out works.

The CODM makes decisions according to the operating results of each segment. No analysis of segment assets and segment liabilities is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Segment revenue and profit

The following is an analysis of the Group's revenue and results by operating segments:

For the year ended 31 December 2014

	Structural	Fitting-out	
	works	works	Total
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Segment revenue - external	<u>439,477</u>	<u>85,252</u>	<u>524,729</u>
Segment results	<u>43,249</u>	<u>10,164</u>	53,413
Administrative expenses			(17,857)
Other income, gains and losses			24,666
Finance costs			(4,038)
Share of profit of a joint venture			<u>2,535</u>
Profit before taxation			<u>58,719</u>

For the year ended 31 December 2015

	Structural	Fitting-out	
	works	works	Total
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Segment revenue - external	<u>199,878</u>	<u>199,201</u>	<u>399,079</u>
Segment results	<u>32,749</u>	<u>18,267</u>	51,016
Administrative expenses			(13,153)
Other income, gains and losses			22,332
Finance costs			(1,426)
Share of profit of a joint venture			<u>622</u>
Profit before taxation			<u>59,391</u>

For the year ended 31 December 2016

	Structural works	Fitting-out works	Total
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Segment revenue - external	<u>131,592</u>	<u>239,663</u>	<u>371,255</u>
Segment results	<u>34,472</u>	<u>24,232</u>	58,704
Administrative expenses			(14,077)
Listing expenses			(3,045)
Other income, gains and losses			25,817
Finance costs			(1,122)
Share of profit of a joint venture			<u>167</u>
Profit before taxation			<u>66,444</u>

For the year ended 31 December 2017

	Structural works	Fitting-out works	Total
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Segment revenue - external	<u>21,402</u>	<u>163,799</u>	<u>185,201</u>
Segment results	<u>8,568</u>	<u>41,428</u>	49,996
Administrative expenses			(14,990)
Listing expenses			(10,196)
Other income, gains and losses			16,469
Finance costs			<u>(706)</u>
Profit before taxation			<u>40,573</u>

For the five months ended 31 May 2017 (unaudited)

	Structural works	Fitting-out works	Total
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Segment revenue - external	<u>—</u>	<u>72,075</u>	<u>72,075</u>
Segment results	<u>—</u>	<u>13,912</u>	13,912
Administrative expenses			(6,296)
Listing expenses			(4,394)
Other income, gains and losses			10,717
Finance costs			<u>(321)</u>
Profit before taxation			<u>13,618</u>

For the five months ended 31 May 2018

	Structural works	Fitting-out works	Total
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Segment revenue - external	<u>22,028</u>	<u>74,090</u>	<u>96,118</u>
Segment results	<u>6,967</u>	<u>17,096</u>	24,063
Administrative expenses			(6,427)
Listing expenses			(1,817)
Other income, gains and losses			<u>614</u>
Profit before taxation			<u>16,433</u>

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 4. Segment results represent the profit before tax earned by each segment without allocation of administrative expenses, listing expenses, other income, gains and losses, finance costs and share of profit of a joint venture. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Geographical information

The Group's operations are located in Macau. The geographical location of the Group's non-current assets is substantially situated in Macau.

All of the Group's revenue from external customers is attributed to the group entities' place of domicile (i.e. Macau).

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group are as follows:

	Year ended 31 December				Five months ended 31 May	
	2014	2015	2016	2017	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
	<i>(unaudited)</i>					
Customer A (note (a))	391,877	120,756	N/A ^(e)	N/A ^(f)	N/A ^(f)	N/A ^(e)
Customer D (note (b))	N/A ^(e)	138,072	123,631	N/A ^(e)	N/A ^(f)	N/A ^(f)
Fu Tat Lei Development Company Limited ("Fu Tat Lei") (note (a) and (d))	N/A ^(f)	49,873	N/A ^(e)	N/A ^(f)	N/A ^(f)	N/A ^(f)
Customer F (note (c))	N/A ^(e)	N/A ^(e)	189,605	N/A ^(e)	N/A ^(e)	10,190
Customer E (note (c))	<u>N/A^(e)</u>	<u>N/A^(e)</u>	<u>N/A^(e)</u>	<u>126,733</u>	<u>64,457</u>	<u>55,089</u>

Notes:

- (a) The revenue was derived from both segments.
- (b) The revenue was derived from the structural works segment.
- (c) The revenue was derived from the fitting-out works segment.
- (d) The revenue was derived from a related party as set out in Note 30.
- (e) Revenue from the customer is less than 10% of the total revenue of the Group.
- (f) No revenue was derived during the year/period.

8. OTHER INCOME

	Year ended 31 December				Five months ended 31 May	
	2014	2015	2016	2017	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
					<i>(unaudited)</i>	
Consultancy fee income	2,859	1,702	944	—	—	—
Income from scrap material sales	3,026	220	33	15	15	—
Imputed interest income (<i>note</i>)	17,466	19,647	21,466	11,467	9,520	—
Bank interest income	2,247	1,407	1,054	1,847	760	565
Others	194	42	140	616	442	118
	<u>25,792</u>	<u>23,018</u>	<u>23,637</u>	<u>13,945</u>	<u>10,737</u>	<u>683</u>

note: The imputed interest income represents interest income recognised in respect of amounts due from a related company and a director, details of which are set out in note 18(b) and note 18(h).

9. OTHER LOSSES

	Year ended 31 December				Five months ended 31 May	
	2014	2015	2016	2017	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
					<i>(unaudited)</i>	
Net exchange loss	1,126	686	181	113	20	69
Loss on disposal/written off of property, plant and equipment	—	—	219	—	—	—
	<u>1,126</u>	<u>686</u>	<u>400</u>	<u>113</u>	<u>20</u>	<u>69</u>

10. FINANCE COSTS

	Year ended 31 December				Five months ended 31 May	
	2014	2015	2016	2017	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
					<i>(unaudited)</i>	
Interest on bank borrowings	2,783	1,237	1,060	705	321	—
Interest on bank overdrafts	<u>1,255</u>	<u>189</u>	<u>62</u>	<u>1</u>	<u>—</u>	<u>—</u>
	<u>4,038</u>	<u>1,426</u>	<u>1,122</u>	<u>706</u>	<u>321</u>	<u>—</u>

11. INCOME TAX EXPENSE

	Year ended 31 December				Five months ended 31 May	
	2014	2015	2016	2017	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
					<i>(unaudited)</i>	
Macau Complementary Tax						
- current year/period	<u>4,869</u>	<u>5,505</u>	<u>6,178</u>	<u>4,772</u>	<u>1,235</u>	<u>2,009</u>

Macau Complementary Tax is calculated at 12% of the estimated assessable profits exceeding MOP600,000 for the Track Record Period.

The income tax expense for the Track Record Period can be reconciled to the profit before taxation in the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December				Five months ended 31 May	
	2014	2015	2016	2017	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
						(<i>unaudited</i>)
Profit before taxation	<u>58,719</u>	<u>59,391</u>	<u>66,444</u>	<u>40,573</u>	<u>13,618</u>	<u>16,433</u>
Tax at applicable statutory tax rate of 12%	7,046	7,127	7,973	4,869	1,634	1,972
Tax effect of expenses not deductible for tax purpose	295	882	873	1,537	773	266
Tax effect of income not taxable for tax purpose (<i>note</i>)	(2,096)	(2,357)	(2,576)	(1,562)	(1,142)	(199)
Tax effect of share of profit of a joint venture	(304)	(75)	(20)	—	—	—
Tax effect of tax exemption under Macau Complimentary Tax	<u>(72)</u>	<u>(72)</u>	<u>(72)</u>	<u>(72)</u>	<u>(30)</u>	<u>(30)</u>
Income tax expense for the year/period	<u>4,869</u>	<u>5,505</u>	<u>6,178</u>	<u>4,772</u>	<u>1,235</u>	<u>2,009</u>

Note: Income not taxable represents mainly the imputed interest income recognised in respect of amounts due from a related company and a director.

At the end of each reporting period, there was no material deferred tax required to be provided.

12. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 December				Five months ended 31 May	
	2014 MOP'000	2015 MOP'000	2016 MOP'000	2017 MOP'000	2017 MOP'000	2018 MOP'000
Profit for the year/period has been arrived at after charging:						
Contract costs recognised as expense						
Structural works	396,228	167,129	97,120	12,834	—	15,061
Fitting-out works	75,088	180,934	215,431	122,371	58,163	56,994
	471,316	348,063	312,551	135,205	58,163	72,055
Staff costs						
Gross staff costs (including directors' emoluments below)	33,259	30,112	31,083	42,112	12,854	18,019
Less: Staff costs capitalised to contract costs incurred	(20,438)	(21,987)	(21,733)	(32,136)	(9,233)	(14,036)
	12,821	8,125	9,350	9,976	3,621	3,983
Directors' emoluments (note 14)	1,728	2,409	3,124	3,829	1,429	1,429
Auditor's remuneration	4	4	5	6	—	—
Allowance for doubtful debts (note)	—	—	(3,170)	—	—	—
Reversal of allowance for doubtful debts (note)	—	—	5,750	2,637	—	—
Operating lease rentals in respect of office building and warehouses	842	982	1,010	168	70	70
Depreciation of property, plant and equipment	<u>301</u>	<u>332</u>	<u>259</u>	<u>1,512</u>	<u>626</u>	<u>654</u>

note: During the year ended 31 December 2016, the amount represented a bad debt of MOP5,750,000 recovered from reaching an agreement of the final settlement with a counterparty in respect of an allowance of doubtful debts of MOP13,223,000 provided in 2011. During the year ended 31 December 2017, a bad debt of MOP2,637,000 was reversed with the settlement of trade receivables from a customer during and after the year ended 31 December 2017. Further details are set out in note 19.

13. DIVIDENDS

On 30 June 2017, a dividend of MOP284,326,000 was declared by SFS Construction Macau to the Controlling Shareholders, and the dividend was settled through offsetting the amount due from Mr. Lao, the director of the Company.

The rate of dividend and number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

Other than the above, no dividend has been paid or declared by other companies comprising the Group during the Track Record Period or by the Company since its incorporation.

14. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND EMPLOYEES' EMOLUMENTS**(a) Directors' emoluments and chief executive's emoluments****Executive directors**

Details of the emoluments paid or payable by the Group to the directors of the Company (including emoluments for services as employees or directors of the group entities prior to becoming the directors of the Company) during the Track Record Period for their services rendered are as follows:

Name of directors	Year ended 31 December 2014				Total MOP'000
	Fees MOP'000	Salaries and other allowances MOP'000	Discretionary bonus MOP'000	Retirement benefit scheme contributions MOP'000	
Executive directors:					
Mr. Lao	—	—	—	—	—
Ms. Lao Ka U (“Ms. Vicki Lao”)*	—	650	—	1	651
Ms. Lao Chao U (“Ms. Athena Lao”)*	—	650	—	1	651
Mr. Cheang Iek Wai	—	230	—	— [#]	230
Mr. Ip Kin Wa (“Mr. Ip”)	—	195	—	1	196
	—	1,725	—	3	1,728

* Daughters of Mr. Lao and Mrs. Lao

Less than MOP1,000

Year ended 31 December 2015					
Name of directors	Fees	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Executive directors:					
Mr. Lao	—	—	—	—	—
Ms. Vicki Lao	—	650	—	1	651
Ms. Athena Lao	—	650	—	1	651
Mr. Cheang Iek Wai	—	455	—	1	456
Mr. Ip	—	650	—	1	651
	<u>—</u>	<u>2,405</u>	<u>—</u>	<u>4</u>	<u>2,409</u>

Year ended 31 December 2016					
Name of directors	Fees	Salaries and other allowances	Discretionary bonus	Retirement benefit scheme contributions	Total
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Executive directors:					
Mr. Lao	—	195	—	—	195
Ms. Vicki Lao	—	650	—	1	651
Ms. Athena Lao	—	650	—	1	651
Mr. Cheang Iek Wai	—	585	—	1	586
Mr. Ip	—	1,040	—	1	1,041
	<u>—</u>	<u>3,120</u>	<u>—</u>	<u>4</u>	<u>3,124</u>

Year ended 31 December 2017

Name of directors	Fees <i>MOP'000</i>	Salaries and other allowances <i>MOP'000</i>	Discretionary bonus <i>MOP'000</i>	Retirement	Total <i>MOP'000</i>
				benefit scheme contributions <i>MOP'000</i>	
Executive directors:					
Mr. Lao	—	195	—	—	195
Ms. Vicki Lao	—	650	—	1	651
Ms. Athena Lao	—	650	—	1	651
Mr. Cheang Iek Wai	—	650	—	1	651
Mr. Ip	—	1,560	120	1	1,681
	—	3,705	120	4	3,829

Five months ended 31 May 2017 (unaudited)

Name of directors	Fees <i>MOP'000</i>	Salaries and other allowances <i>MOP'000</i>	Discretionary bonus <i>MOP'000</i>	Retirement	Total <i>MOP'000</i>
				benefit scheme contributions <i>MOP'000</i>	
Executive directors:					
Mr. Lao	—	75	—	—	75
Ms. Vicki Lao	—	250	—	1	251
Ms. Athena Lao	—	250	—	1	251
Mr. Cheang Iek Wai	—	250	—	1	251
Mr. Ip	—	600	—	1	601
	—	1,425	—	4	1,429

Name of directors	Five months ended 31 May 2018				Total MOP'000
	Fees MOP'000	Salaries and other allowances MOP'000	Discretionary bonus MOP'000	Retirement benefit scheme contributions MOP'000	
Executive directors:					
Mr. Lao	—	75	—	—	75
Ms. Vicki Lao	—	250	—	1	251
Ms. Athena Lao	—	250	—	1	251
Mr. Cheang Iek Wai	—	250	—	1	251
Mr. Ip	—	600	—	1	601
	—	1,425	—	4	1,429

The emoluments of the above directors were for their services in connection with the management of the affairs of the companies now comprising the Group during the Track Record Period.

Certain executive directors of the Company are entitled to bonus payments which are determined with reference to individual performance of the director.

Mr. Lao was appointed as an executive director, the chairman and chief executive of the Company on 23 February 2017. Ms. Vicki Lao, Ms. Athena Lao, Mr. Cheang Iek Wai and Mr. Ip were appointed as executive directors of the Company on 23 February 2017. None of the directors or the chief executive waived or agreed to waive any emoluments during the Track Record Period.

Independent non-executive directors

Mr. Chu Yat Pang, Terry, Mr. Law Wang Chak, Waltery and Mr. Choy Wai Shek, Raymond were appointed as independent non-executive directors of the Company on 17 August 2018. No remuneration was paid to the independent non-executive directors of the Company during the Track Record Period.

(b) **Employees' emoluments**

The five highest paid individuals of the Group for each of the years ended 31 December 2014, 2015, 2016 and 2017 and each of the five months ended 31 May 2017 (unaudited) and 2018 include nil, nil, one, one, one and one director, respectively, details of whose emoluments are set out in Note 14(a) above. Details of the remaining five, five, four, four, four and four highest paid individuals are as follows:

	Year ended 31 December				Five months ended 31 May	
	2014	2015	2016	2017	2017	2018
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
					<i>(unaudited)</i>	
Salaries and other allowances	4,599	3,781	3,490	3,885	1,355	1,660
Discretionary bonus	431	230	163	657	21	—
Retirement benefit scheme contributions	3	1	—	—	—	—
	<u>5,033</u>	<u>4,012</u>	<u>3,653</u>	<u>4,542</u>	<u>1,376</u>	<u>1,660</u>

The discretionary bonus is determined by reference to individual performance of the employees and approved by the management of the Group.

The emoluments of the highest paid employees were within the following bands:

	Year ended 31 December				Five months ended 31 May	
	2014	2015	2016	2017	2017	2018
	<i>No. of individuals</i>	<i>No. of individuals</i>	<i>No. of individuals</i>	<i>No. of individuals</i>	<i>No. of individuals</i>	<i>No. of individuals</i>
					<i>(unaudited)</i>	
Nil to HK\$1,000,000	2	4	3	1	4	4
HK\$1,000,001 to HK\$1,500,000	3	1	1	3	—	—
	<u>5</u>	<u>5</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

During the Track Record Period, no emoluments were paid by the Group to any of the directors or chief executive of the Company or five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

15. EARNINGS PER SHARE

Earnings	Year ended 31 December				Five months ended 31 May	
	2014	2015	2016	2017	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Earnings for the purpose of calculating basic earnings per share (profit for the year/period attributable to owners of the Company)	<u>53,850</u>	<u>53,886</u>	<u>60,266</u>	<u>35,801</u>	<u>12,383</u>	<u>14,424</u>

The calculation of the basic earnings per share for the Track Record Period is based on the profit attributable to owners of the Company for each of the four years ended 31 December 2014, 2015, 2016 and 2017 and each of the five months ended 31 May 2017 (unaudited) and 2018, and weighted average number of ordinary shares of 450,000,000, taking into consideration the 20,000 shares of the Company in issue and on the assumption that, the Reorganisation as disclosed in note 2 and 449,980,000 ordinary shares to be issued pursuant to the capitalisation issue with details in note 36 and as more fully explained in the section headed "Written resolutions of the Shareholders passed on 17 August 2018" in Appendix V to the Prospectus had been effective on 1 January 2014.

No diluted earnings per share is presented for the Track Record Period as there was no potential ordinary share in issue.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings <i>MOP'000</i>	Leasehold improvement <i>MOP'000</i>	Furniture, fixtures and equipment <i>MOP'000</i>	Motor vehicles <i>MOP'000</i>	Total <i>MOP'000</i>
COST					
At 1 January 2014	—	736	7,921	254	8,911
Additions	<u>—</u>	<u>—</u>	<u>238</u>	<u>108</u>	<u>346</u>
At 31 December 2014	—	736	8,159	362	9,257
Additions	—	119	58	—	177
Written off	<u>—</u>	<u>(511)</u>	<u>(3,742)</u>	<u>—</u>	<u>(4,253)</u>
At 31 December 2015	—	344	4,475	362	5,181
Additions	46,367	—	367	—	46,734
Disposals/Written off	<u>—</u>	<u>—</u>	<u>(2,926)</u>	<u>(362)</u>	<u>(3,288)</u>
At 31 December 2016	46,367	344	1,916	—	48,627
Additions	—	—	198	—	198
Written off	<u>—</u>	<u>—</u>	<u>(43)</u>	<u>—</u>	<u>(43)</u>
At 31 December 2017	46,367	344	2,071	—	48,782
Additions	<u>—</u>	<u>—</u>	<u>70</u>	<u>—</u>	<u>70</u>
At 31 May 2018	46,367	344	2,141	—	48,852
DEPRECIATION					
At 1 January 2014	—	736	7,105	254	8,095
Provided for the year	<u>—</u>	<u>—</u>	<u>301</u>	<u>—</u>	<u>301</u>
At 31 December 2014	—	736	7,406	254	8,396
Provided for the year	—	40	270	22	332
Eliminated on written off	<u>—</u>	<u>(511)</u>	<u>(3,742)</u>	<u>—</u>	<u>(4,253)</u>
At 31 December 2015	—	265	3,934	276	4,475
Provided for the year	—	20	228	11	259
Eliminated on disposals/written off	<u>—</u>	<u>—</u>	<u>(2,707)</u>	<u>(287)</u>	<u>(2,994)</u>

	Leasehold land and buildings	Leasehold improvement	Furniture, fixtures and equipment	Motor vehicles	Total
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
At 31 December 2016	—	285	1,455	—	1,740
Provided for the year	1,405	40	67	—	1,512
Eliminated on written off	—	—	(43)	—	(43)
At 31 December 2017	1,405	325	1,479	—	3,209
Provided for the period	585	16	53	—	654
At 31 May 2018	<u>1,990</u>	<u>341</u>	<u>1,532</u>	<u>—</u>	<u>3,863</u>
CARRYING VALUES					
At 31 December 2014	<u>—</u>	<u>—</u>	<u>753</u>	<u>108</u>	<u>861</u>
At 31 December 2015	<u>—</u>	<u>79</u>	<u>541</u>	<u>86</u>	<u>706</u>
At 31 December 2016	<u>46,367</u>	<u>59</u>	<u>461</u>	<u>—</u>	<u>46,887</u>
At 31 December 2017	<u>44,962</u>	<u>19</u>	<u>592</u>	<u>—</u>	<u>45,573</u>
At 31 May 2018	<u>44,377</u>	<u>3</u>	<u>609</u>	<u>—</u>	<u>44,989</u>

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method, at the following useful life:

Leasehold land and buildings	Remaining lease terms of 33 years
Leasehold improvement	Over the shorter of 3 years or the terms of the leases
Furniture, fixtures and equipment	3-5 years
Motor vehicles	5 years

The Group's leasehold land and buildings are situated in Macau.

As at 31 December 2016, 31 December 2017 and 31 May 2018, the Group has pledged leasehold land and buildings with a carrying value of MOP46,367,000, MOP44,962,000 and MOP44,377,000 respectively to secure general banking facilities granted to the Group.

17. INTEREST IN A JOINT VENTURE

	At 31 December			At 31 May	
	2014	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Cost of unlisted investment	7,409	7,409	—	—	—
Share of post-acquisition result, net of dividend received	(101)	521	—	—	—
Exchange difference arising on translation	350	(65)	—	—	—
	<u>7,658</u>	<u>7,865</u>	<u>—</u>	<u>—</u>	<u>—</u>

As at 31 December 2014 and 2015, the interest in a joint venture represented the Group's 60% equity interests in Jiangmen Jinying, an equity joint venture established in the People's Republic of China ("PRC") in May 2011. The Group was only able to exercise joint control over Jiangmen Jinying as all decisions about the relevant activities required unanimous consent of the Group and the other joint venture partner. The Group also had rights to the net assets of Jiangmen Jinying. Accordingly, Jiangmen Jinying was regarded as a joint venture of the Group.

On 7 December 2016, the Group disposed its entire interest in Jiangmen Jinying at a cash consideration of RMB6,000,000 (equivalent to MOP6,950,000) to New Kingdom Development Company Limited ("New Kingdom"), which is a wholly-owned subsidiary of Red Development (as defined in note 18). The transaction arising from the Reorganisation resulted in a loss on disposal of MOP1,147,000 and is recognised in other reserve.

Particulars of Jiangmen Jin Ying are as follows:

Name of entity	Form of entity	Place of establishment/operation	Paid up capital/registered capital	Proportion of registered capital and voting rights held by the Company					At Principal activities
				At 31 December				At 31 May	
				2014	2015	2016	2017	2018	
Jiangmen Jinying	Limited liability	PRC	RMB10,000,000	60%	60%	—	—	—	Provision of construction works in the PRC

The above joint venture is accounted for using the equity method.

Summarised financial information in respect of the Group's joint venture is set out below. The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with IFRSs for equity accounting purposes.

Jiangmen Jinying

	At 31 December	
	2014	2015
	<i>MOP'000</i>	<i>MOP'000</i>
Current assets	12,876	17,890
Non-current assets	1,105	1,012
Current liabilities	<u>(1,217)</u>	<u>(5,793)</u>
Net assets	<u>12,764</u>	<u>13,109</u>

The above amounts of assets and liabilities include the following:

	At 31 December	
	2014	2015
	<i>MOP'000</i>	<i>MOP'000</i>
Cash and cash equivalents	<u>201</u>	<u>572</u>

Reconciliation of the above summarised financial information to the carrying amount of the interest in joint venture recognised in the Historical Financial Information is set out below:

	At 31 December	
	2014	2015
	<i>MOP'000</i>	<i>MOP'000</i>
Net assets of Jiangmen Jinying	12,764	13,109
Proportion of the Group's ownership interests in Jiangmen Jinying	<u>60%</u>	<u>60%</u>
Carrying amount of the Group's interest in Jiangmen Jinying	<u>7,658</u>	<u>7,865</u>

	For the year ended 31 December		1 January 2016 to 7 December 2016
	2014	2015	2016
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Revenue	<u>16,003</u>	<u>20,207</u>	<u>6,247</u>
Profit for the year/period	<u>4,225</u>	<u>1,036</u>	<u>278</u>
Other comprehensive expense for the year/period	<u>(37)</u>	<u>(691)</u>	<u>(1,181)</u>
Total comprehensive income (expense) for the year/period	<u>4,188</u>	<u>345</u>	<u>(903)</u>
The above profit for the year/period includes the following:			
Depreciation	<u>151</u>	<u>142</u>	<u>116</u>
Interest income	<u>3</u>	<u>2</u>	<u>3</u>
Income tax expense	<u>—</u>	<u>346</u>	<u>—</u>

18. AMOUNTS DUE FROM (TO) RELATED COMPANIES/A DIRECTOR/A SUBSIDIARY

Amounts due from (to) related companies

	Maximum amount outstanding									
	At 31 December			At 31 May		During 31 December				Five months ended 31 May
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Non-trade nature:										
- Red Development Company Limited ("Red Development") (notes (a), (g) and (h))	(4,635)	(14,950)	(14,999)	—	—	N/A	N/A	N/A	N/A	N/A
- New Zone Development Company Limited ("New Zone Development") (notes (b) and (h))	16,377	13,666	14,881	—	—	16,377	16,377	14,881	15,666	—
- Jiangmen San Fong Seng Investment & Consulting Co., Ltd. ("Jiangmen SFS") (notes (c), (g) and (h))	5	5	5	—	—	5	5	5	5	—
- 新方盛集團有限公司 ("San Fong Seng Group") (notes (d), (g) and (h))	—	103	103	—	—	N/A	103	103	103	—
Trade nature:										
- Wa Fa Kin Ip Engineer Co., Ltd. ("Wa Fa") (note (e) and (g))	(70)	(2,063)	—	—	—					
- San Iao Pong Construction & Engineering Co., Ltd. ("San Iao Pong") (note (f) and (g))	(639)	(1,137)	(1,239)	—	—					
Analysed for reporting purposes as:										
Amount due from a related company (included in non-current assets)	12,025	13,136	—	—	—					
Amounts due from related companies (included in current assets)	4,357	638	14,989	—	—					
Amounts due to related companies	(5,344)	(18,150)	(16,238)	—	—					

Amount due from (to) a director

	Maximum amount outstanding									
	At 31 December			At 31 May		During 31 December				Five months ended 31 May
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Non-trade nature:										
- Due from Mr. Lao (note (h))	248,541	311,195	284,619	—	—	248,541	311,195	311,195	284,619	—
- Due to Mr. Lao (note (h))	(12,027)	(12,027)	(12,027)	—	—					
Analysed for reporting purpose as:										
Amount due from a director (included in non-current assets)	200,395	218,931	—	—	—					
Amount due from a director (included in current assets)	48,146	92,264	284,619	—	—					
Amount to a director	(12,027)	(12,027)	(12,027)	—	—					

Notes:

- (a) Red Development is a company incorporated in Macau and engaged in investment holding and property investment and development, which is 98% ultimately owned by Mr. Lao and Mrs. Lao and 2% held by Ms. Vicki Lao. On 30 June 2017, the entire amount of MOP14,999,000 due to Red Development had been assigned to Mr. Lao and was net off against the amount due from Mr. Lao.
- (b) New Zone Development is a company incorporated in Macau and engaged in investment holding and property investment and development, which is wholly owned by Red Development. Included in the balances are advances to New Zone Development made in July 2014 which are unsecured, non-trade in nature, interest-free and repayable on demand. In the opinion of the management of the Group, the expected date of demand for repayment would be in June 2017. Therefore, the balances are classified as non-current as at 31 December 2014 and 2015 and measured at amortised cost using the effective interest method with an effective interest rate of 9.25% per annum at initial recognition date and subsequently carried at amortised cost, resulting in a deemed distribution to Mr. Lao of MOP3,496,000 recognised in other reserve during the year ended 31 December 2014, as Mr. Lao has control in New Zone Development. For each of the years ended 31 December 2014, 2015, 2016 and 2017, imputed interest income of approximately MOP521,000, MOP1,111,000, MOP1,215,000 and MOP649,000, respectively were recognised and credited to profit or loss. On 30 June 2017, the entire amount of MOP15,530,000 due from New Zone Development had been assigned to Mr. Lao and was aggregated to the amount due from Mr. Lao.
- (c) Jiangmen SFS is a company established in the PRC and engaged in investment holding and consulting services, which is 98% held by Red Development and 2% held by Ms. Vicki Lao. On 30 June 2017, the entire amount of MOP5,000 due from Jiangmen SFS had been assigned to Mr. Lao and was aggregated to the amount due from Mr. Lao.

- (d) San Fong Seng Group is a company incorporated in Macau and is an investment holding company, which is 50% held by Mr. Lao and 50% held by Mrs. Lao. On 30 June 2017, the entire amount of MOP59,000 due from San Fong Seng Group had been assigned to Mr. Lao and was aggregated to the amount due from Mr. Lao.
- (e) Wa Fa is a company incorporated in Macau and is engaged in construction and engineering, which is 90% held by Mr. Ip. The balances aged within 30 days at the end of each of the reporting period.
- (f) San Iao Pong is a company incorporated in Macau and engaged in small-scale subcontracting services, which is 60% held by Ms. Vicki Lao from the period of 10 September 2014 to 6 March 2017. On 7 March 2017, all of the relevant equity interest held by Ms. Vicki Lao was disposed to an independent third party. The balances aged within 30 days at the end of each of the reporting period.
- (g) The balances are unsecured, non-interest bearing and repayable on demand.
- (h) Included in the balances are several advances made in January 2013 to Mr. Lao which are unsecured, non-trade in nature, interest-free and repayable on demand. In the opinion of the management of the Group, the expected date of demand for repayment would be in June 2017. Therefore, the balances are classified as non-current as at 31 December 2014 and 2015 and measured at amortised cost using the effective interest method with an effective interest rate of 9.25% per annum at initial recognition date and subsequently carried at amortised cost, resulting in a deemed distribution to Mr. Lao of MOP82,103,000 recognised in other reserve during the year end 31 December 2013. For each of the years ended 31 December 2014, 2015, 2016 and 2017, imputed interest income of approximately MOP16,945,000, MOP18,536,000, MOP20,251,000 and MOP10,818,000, respectively were recognised and credited to profit or loss. On 30 June 2017, the amount due from Mr. Lao of MOP295,758,000, together with the amount due from related companies of MOP15,594,000, were net off against the amount due to a related company of MOP14,999,000 and amount due to Mr. Lao of MOP12,027,000 as at 30 June 2017. The remaining amount due from Mr. Lao was then MOP284,326,000 after the aforesaid net-off, which was offset simultaneously with the dividend declared by SFS Construction Macau of MOP284,326,000 (note 13).

The Company

Amount due to a subsidiary

The amounts as at 31 December 2017 and 31 May 2018 are unsecured, interest-free, repayable on demand and non-trade nature.

19. TRADE AND OTHER RECEIVABLES

	The Group				The Company		
	At 31 December				At	At 31	At
	2014	2015	2016	2017	31 May	December	31 May
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Trade receivables, net of allowance for doubtful debts	37,243	41,967	37,249	18,470	34,450	—	—
Advances paid to subcontractors and suppliers	13,930	13,521	3,257	6,550	11,558	—	—
Deferred issue costs	—	—	967	4,384	5,225	4,384	5,225
Other receivables, prepayment and deposits	1,631	2,300	3,398	2,597	1,587	—	—
Total trade and other receivables	<u>52,804</u>	<u>57,788</u>	<u>44,871</u>	<u>32,001</u>	<u>52,820</u>	<u>4,384</u>	<u>5,225</u>

Trade receivables

Trade receivables represent amounts receivable for work certified after deduction of retention money.

The Group allows generally a credit period ranging from 7 to 60 days to its customers. The following is an aged analysis of trade receivables presented based on dates of work certified at the end of each reporting period, net of allowance for doubtful debts.

	At 31 December				At
	2014	2015	2016	2017	31 May
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
1 - 30 days	36,448	37,796	36,667	15,370	29,834
31 - 60 days	795	4,171	—	1,510	1,219
61 - 90 days	—	—	—	—	2,265
Over 90 days	—	—	582	1,590	1,132
	<u>37,243</u>	<u>41,967</u>	<u>37,249</u>	<u>18,470</u>	<u>34,450</u>

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customers. Recoverability of the existing customers is reviewed by the Group regularly.

As at 31 December 2014, 2015, 2016, 2017 and 31 May 2018, included in the Group's trade receivable balances were receivables with aggregate carrying amount of MOP47,000, MOP1,813,000, MOP582,000, MOP3,100,000 and MOP5,825,000, respectively, which were past due at the end of each reporting period for which the Group had not provided for impairment loss as these balances were either subsequently settled or there has not been a significant change in credit quality and the amounts were still considered recoverable due to the on-going relationship and good repayment record from these customers. Accordingly, the management of the Group believes that no impairment loss was required. The Group does not hold any collateral over these balances.

Since the adoption of IFRS 9 on 1 January 2018, the Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9. The trade receivables are assessed individually for impairment allowance based on the Group's internal credit rating, historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Aging of trade receivables which are past due but not impaired:

	At 31 December				At 31 May
	2014	2015	2016	2017	2018
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Overdue					
1 - 30 days	47	1,813	—	—	1,209
31 - 60 days	—	—	—	1,510	1,219
61 - 90 days	—	—	—	—	2,265
Over 90 days	—	—	582	1,590	1,132
	<u>47</u>	<u>1,813</u>	<u>582</u>	<u>3,100</u>	<u>5,825</u>

Movement in the allowance for doubtful debts

	At 31 December				At 31 May
	2014	2015	2016	2017	2018
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Balance at beginning of the year/period	13,223	13,223	13,223	3,170	533
Allowance for doubtful debts	—	—	3,170	—	—
Amounts written off as uncollectibles	—	—	(7,473)	—	—
Reversal of allowance upon recovery of amounts during the year	—	—	(5,750)	(2,637)	—
Balance at end of the year/period	<u>13,223</u>	<u>13,223</u>	<u>3,170</u>	<u>533</u>	<u>533</u>

Included in trade receivables are allowances for doubtful debts of MOP13,223,000, MOP13,223,000, MOP3,170,000, and MOP533,000 and MOP533,000, for which the amounts have aged over one year or the debtor is in severe financial difficulty, as at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018, respectively.

In respect of an allowance of doubtful debts of MOP13,223,000 as at 31 December 2014 and 2015 relating to certain construction projects completed in the financial years of 2009, the management of the Group was of the opinion that, the amount was irrecoverable in 2011 due to the fact that the counterparty had disputed with the Group in the figures on the finalisation of the relevant construction projects. Subsequently during the year of 31 December 2016, the management of the Group reached an agreement with this counterparty for final settlement of MOP5,750,000 out of MOP13,223,000 and hence the amount of MOP5,750,000 was recognised as bad debts recovered and MOP7,473,000 was written off as uncollectible respectively, in the year ended 31 December 2016.

During the year ended 31 December 2016, there was a trade receivable amounting to MOP2,637,000 due from a customer which had financial difficulties and its parent company was suspended from trading on the Stock Exchange since April 2017. In the opinion of the management of the Group, the amount was considered irrecoverable and a full provision of the amount was made.

During the year ended 31 December 2017, the management of the Group had recovered partially the amount of MOP1,100,000 from the customer and subsequent to the end of the reporting period, in February 2018, an additional amount of MOP1,537,000 was further recovered as final settlement. Accordingly, MOP2,637,000 was recognised as a reversal of allowance and credited to other gains and losses during the year ended 31 December 2017.

In determining the recoverability of a trade receivables, the Group considers any change in credit quality of the trade receivables from the date credit was initially granted up to the end of each reporting period. The management of the Group is of the opinion that no further provision is required in excess of the allowance for doubtful debts.

The Group's trade and other receivables denominated in currencies other than the functional currency of the relevant group entities are set out below:

	At 31 December				At
	2014	2015	2016	2017	31 May
	MOP'000	MOP'000	MOP'000	MOP'000	2018
					MOP'000
HK\$	<u>29,509</u>	<u>26,060</u>	<u>26,004</u>	<u>9,521</u>	<u>22,712</u>

The Company

The amounts as at 31 December 2017 and 31 May 2018 represent the deferred professional fees in connection with the Listing, which would be offset against the share premium account in equity upon the Listing.

20. CONTRACT ASSETS (LIABILITIES)/CONTRACT COSTS

	At 1		At 31 December			At
	January		2015	2016	2017	31 May
	2014	2014	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Analysed for reporting purposes, on a net basis for each respective contract, as:						
Contract assets	19,200	43,837	45,074	47,981	53,987	31,795
Contract liabilities	<u>(700)</u>	<u>(14,770)</u>	<u>(971)</u>	<u>(1,599)</u>	<u>(9,087)</u>	<u>(1,505)</u>
	<u>18,500</u>	<u>29,067</u>	<u>44,103</u>	<u>46,382</u>	<u>44,900</u>	<u>30,290</u>

As at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018, contract assets and liabilities include retention receivables held by customers for contract works amounting to MOP34,611,000, MOP40,328,000, MOP42,744,000, MOP51,713,000, and MOP30,502,000, respectively.

Retention receivables represent the money retained by the Group's customers to secure the due performance of the contracts. The customers normally withhold 10% of the certified amount payable to the Group as retention money, 50% of which is normally recoverable upon completion of respective project and the remaining 50% is recoverable after the completion of defect liability period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 3 months to 2 years from the date of completion of respective projects. The amount is unsecured and interest-free.

Included in retention receivables, there are MOP1,816,000, MOP6,804,000, MOP3,400,000 and MOP3,400,000 from Fu Tat Lei which are to be settled after one year as at 31 December 2014, 2015 and 2016 and to be settled within one year as at 31 December 2017, respectively, based on the expiry of the defect liability period. Fu Tat Lei is a company incorporated in Macau and is engaged in property investment and development, construction and engineering, which is 50% held by Red Development.

As at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018, contract assets and liabilities include advances received from customers amounting to MOP24,266,000, MOP4,445,000, MOP1,350,000, MOP7,000,000 and nil, respectively.

The changes in contract assets and liabilities are due to i) adjustments arising from changes in the measure of progress of contracting work, or ii) reclassification to trade receivables when the Group has unconditional right to the consideration.

Contract liabilities as at the end of each reporting period are recognised as revenue in subsequent year.

Since the adoption of IFRS 9 on 1 January 2018, the Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9 as disclosed in note 34.

Contract costs of MOP36,317,000 as at 31 December 2015 represent the costs incurred to fulfill the construction contract for provision of fitting-out works.

21. BANK BALANCES AND CASH/PLEGDED BANK DEPOSITS/BANK OVERDRAFTS

Bank balances and cash comprises cash on hand and bank balances. As at 31 December 2014, 2015, 2016, 2017 and 31 May 2018, bank balances carry interest at prevailing market interest rates which were ranging from 0.001% to 0.01% per annum.

Pledged bank deposits represent deposits pledged to a bank to secure banking facilities and bank borrowings granted to the Group. As at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018, the pledged bank deposits carried an average fixed interest rate of 1.97%, 1.73%, 1.44%, 1.46% and 1.46% per annum, respectively.

Secured bank overdrafts carry interest at fixed deposit rate plus 0.25% per annum and is repayable on demand.

The Group's bank balances and cash, pledged bank deposits and bank overdrafts that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	At 31 December				At 31 May
	2014	2015	2016	2017	2018
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Bank balances and cash					
HK\$	39,225	6,933	33,096	34,469	51,317
RMB	<u>67</u>	<u>319</u>	<u>91</u>	<u>54</u>	<u>60</u>
Pledged bank deposits					
HK\$	46,357	55,303	67,722	65,169	65,575
RMB	<u>49,692</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Bank overdrafts					
HK\$	<u>40,170</u>	<u>430</u>	<u>93</u>	<u>—</u>	<u>—</u>

22. TRADE AND OTHER PAYABLES

Trade and other payables at the end of each reporting period comprise amounts outstanding for trade purposes, accrued listing expenses and daily operating costs. The average credit period on trade purchase is 7 to 60 days.

	The Group				The Company		
	At 31 December				At 31 May	At 31 December	At 31 May
	2014	2015	2016	2017	2018	2017	2018
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Trade payables	23,723	33,072	12,203	15,013	4,443	—	—
Retention payables	27,745	32,627	27,618	24,365	23,873	—	—
Accrued contract costs	47,264	67,298	63,876	54,167	59,774	—	—
Accruals and other payables	8,045	6,991	7,465	10,071	5,295	2,186	55
Provision for onerous contracts	<u>—</u>	<u>5,030</u>	<u>4,309</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total trade and other payables	<u>106,777</u>	<u>145,018</u>	<u>115,471</u>	<u>103,616</u>	<u>93,385</u>	<u>2,186</u>	<u>55</u>

The following is an aged analysis of trade payables presented based on the certified periods at the end of each reporting period:

	At 31 December				At
	2014	2015	2016	2017	31 May
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
1 - 30 days	23,723	33,072	11,730	15,013	4,420
31 - 60 days	—	—	119	—	3
Over 60 days	<u>—</u>	<u>—</u>	<u>354</u>	<u>—</u>	<u>20</u>
	<u>23,723</u>	<u>33,072</u>	<u>12,203</u>	<u>15,013</u>	<u>4,443</u>

Retention payables to sub-contractors of contract works are interest-free and payable by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts, ranging from 3 months to 2 years from the completion date of the respective service contracts.

The retention payables are to be settled, based on the expiry of maintenance period, at the end of each reporting period as follows:

	At 31 December				At
	2014	2015	2016	2017	31 May
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Within one year	2,897	1,251	14,542	14,932	13,917
After one year	<u>24,848</u>	<u>31,376</u>	<u>13,076</u>	<u>9,433</u>	<u>9,956</u>
	<u>27,745</u>	<u>32,627</u>	<u>27,618</u>	<u>24,365</u>	<u>23,873</u>

The Group's trade and retention payables denominated in currencies other than the functional currency of the relevant group entities are set out below:

	At 31 December				At
	2014	2015	2016	2017	31 May
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
HK\$	21	—	354	467	433
RMB	<u>—</u>	<u>—</u>	<u>—</u>	<u>14</u>	<u>14</u>

The Company

The amounts at 31 December 2017 and 31 May 2018 mainly represent accruals for professional fees in connection with the Listing.

23. BANK BORROWINGS

Bank borrowings are repayable within one year and carry variable interest ranging from fixed deposit interest rate plus 0.5% to prevailing best lending rates quoted by the banks in Macau (the "Prime Rate") plus 0.5% per annum. The bank borrowings are secured by the bank deposits (included in note 21) amounting to MOP44,527,000, MOP42,127,000 and MOP42,951,000 as at 31 December 2014, 2015 and 2016, respectively, and promissory notes endorsed by SFS Construction Macau which were guaranteed by Mr. Lao and Mrs. Lao. The weighted average effective interest rate on the loans as at 31 December 2014, 2015 and 2016 is 4.05%, 2.77% and 2.60% per annum, respectively. As at 31 December 2017 and 31 May 2018, there were no outstanding bank borrowing.

The Group's borrowings denominated in currencies other than the functional currency of the relevant group entities are set out below:

	At 31 December				At
	2014	2015	2016	2017	31 May
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
HK\$	<u>51,575</u>	<u>30,945</u>	<u>41,260</u>	<u>—</u>	<u>—</u>

24. SHARE CAPITAL AND RESERVE OF THE COMPANY

On 23 February 2017, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an initial authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each.

For the purpose of this report, the share capital as at 31 December 2014, 31 December 2015 and 31 December 2016 represented the issued and fully paid share capital of SFS BVI. The share capital as at 31 December 2017 and 31 May 2018 represented the share capital of the Company.

Details of movements of share capital of the Company are as follows:

	Number of shares	Share capital <i>MOP'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 23 February 2017 (date of incorporation), 31 December 2017 and 31 May 2018	<u>38,000,000</u>	<u>391</u>
Issued:		
Issued as at 23 February 2017 (date of incorporation), 31 December 2017 and 31 May 2018	<u>20,000</u>	<u>—[#]</u>

[#] Less than MOP1,000

Details of movements of the reserve of the Company are as follows:

	<i>MOP'000</i>
Accumulated losses	
As at 23 February 2017 (date of incorporation)	—
Loss and total comprehensive expense for the period	<u>(10,251)</u>
As at 31 December 2017	(10,251)
Loss and total comprehensive expense for the period	<u>(1,854)</u>
As at 31 May 2018	<u>(12,105)</u>

The Company's accumulated losses mainly arose from listing expenses borne by the Company during the periods from 23 February 2017 (date of incorporation) to 31 December 2017 and from 1 January 2018 to 31 May 2018.

25. GAIN ON DISPOSAL OF SUBSIDIARIES**For the year ended 31 December 2016**

On 30 December 2016, the Group entered into a sale and purchase agreement with Red Development, a related company of the Company, to dispose of its 98% equity interest in New Generation (as defined in note 32), an inactive non-wholly owned subsidiary of the Group together with its 51% equity interest subsidiary in SKS Federal Construction (as defined in note 32), at a cash consideration of MOP49,000. The disposal was completed on the same date.

The net assets of the subsidiaries being disposed of at the date of disposal were determined as follows:

	<i>MOP'000</i>
Consideration received:	
Cash received	49
	<u>49</u>
	At 30 December 2016
	<i>MOP'000</i>
Analysis of assets and liabilities over which control was lost:	
Amount due from SFS Construction Macau	49
Amount due to a director	(6)
	<u>(6)</u>
Net assets disposed of	43
	<u>43</u>
Gain on disposal of a subsidiary recognised in other reserve:	
Consideration received	49
Net assets disposed of	(43)
Non-controlling interests	16
	<u>16</u>
Gain on disposal arising from the Reorganisation	22
	<u>22</u>
Net cash inflow from disposal of subsidiaries:	
Cash consideration received	49
	<u>49</u>

26. OPERATING LEASE COMMITMENTS

The Group as lessee

The Group had made minimum lease payments for each of the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 of MOP842,000, MOP982,000, MOP1,010,000, MOP168,000, and MOP70,000, respectively, in respect of rental of office building and warehouses, of which MOP842,000, MOP842,000, MOP842,000, nil and nil, respectively were paid to Ms. Vicki Lao, Ms. Athena Lao and Ms. Lao Choi Ian.

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	At 31 December				At 31 May
	2014	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Within one year	842	993	151	—	—
In the second to fifth year inclusive	<u>842</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>1,684</u>	<u>993</u>	<u>151</u>	<u>—</u>	<u>—</u>

Leases are negotiated for an average term of one to three years and rentals are fixed throughout the lease period.

Included in commitments for future minimum lease payments were the commitments to Ms. Vicki Lao and Ms. Athena Lao and Ms. Lao Choi Ian as follows:

	At 31 December				At 31 May
	2014	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Within one year	842	842	—	—	—
In the second to fifth year inclusive	<u>842</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>1,684</u>	<u>842</u>	<u>—</u>	<u>—</u>	<u>—</u>

27. PLEDGE OF ASSETS

The following assets of the Group were pledged to secure the bank borrowings, bank overdrafts and credit facilities granted to the Group during the Track Record Period:

	At 31 December				At
	2014	2015	2016	2017	31 May
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
The Group					
Leasehold land and buildings included in property, plant and equipment (note)	—	—	46,367	44,962	44,377
Pledged bank deposits	<u>96,049</u>	<u>55,303</u>	<u>67,722</u>	<u>65,169</u>	<u>65,575</u>
	<u>96,049</u>	<u>55,303</u>	<u>114,089</u>	<u>110,131</u>	<u>109,952</u>

note: As at 31 December 2014 and 2015, the leasehold land and buildings was held by Ms. Vicki Lao, Ms. Athena Lao and Ms. Lao Choi Ian. On 28 December 2016, the ownership of such leasehold land and buildings was transferred to the Group at a consideration at HK\$43,500,000 (equivalent to MOP44,870,000) which was settled by netting off the outstanding balance of amount due from a director.

28. PERFORMANCE GUARANTEES/BID BONDS

As at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018, performance guarantees of MOP66,581,000, MOP87,454,000, MOP109,443,000, MOP99,290,000 and MOP107,879,000, respectively, were given by banks in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance guarantees have been given, such customers may demand the banks to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance guarantees will be released upon completion of the contract works. The performance guarantees were granted under the banking facilities of the Group which were secured by:

- (i) a legal charge over an office premise originally held by Ms. Vicki Lao, Ms. Athena Lao and Ms. Lao Choi Ian (a daughter of Mr. Lao and Mrs. Lao) as at 31 December 2014 and 2015 and had been discharged before the disposal, and such office premise was acquired by the Group during the year ended 31 December 2016, and was charged over to bank for the years ended 31 December 2016 and 2017 and the five months ended 31 May 2018;

- (ii) 2 residential properties held by Ms. Vicki Lao, Ms. Athena Lao and Ms. Lao Choi Ian as at 31 December 2014 and such securities were released during the year ended 31 December 2015, and a residential property held by Mr. Lao as at 31 December 2014, 2015 and 2016 and such security was released during the year ended 31 December 2017;
- (iii) the remaining balances of the pledged bank deposits (note 21) other than the amounts used for securing the bank borrowings (note 23); and
- (iv) promissory notes endorsed by SFS Construction Macau and guaranteed by Mr. Lao, Mrs. Lao, Ms. Vicki Lao and Ms. Athena Lao as at 31 December 2014 and 2015. During the year ended 31 December 2016, the guarantees given by Ms. Vicki Lao and Ms. Athena Lao were released, and Mr. Lao and Mrs. Lao continued to give the guarantees as at 31 December 2016, 31 December 2017 and 31 May 2018. As represented by the directors of the Company, the aforesaid guarantees in the banking facilities will be released upon the Listing.

As at 31 December 2017 and 31 May 2018, bid bonds of MOP18,256,000 and MOP21,325,000 respectively, were given by banks for bidding the projects offering by the government of Macau.

In the opinion of the management of the Group, they do not consider it is probable that a claim will be made against the Group in respect of the above performance guarantees or bid bonds.

29. RETIREMENT BENEFIT PLANS

Eligible employees of the Group are covered by a government-mandated defined contribution plan pursuant to which a fixed amount of retirement benefit would be determined and paid by the Macau Government. Contributions are generally made by both employees and employers by paying a fixed amount on a monthly basis to the Social Security Fund Contribution managed by the Macau Government. The Group funds the entire contribution and has no further commitments beyond its monthly contributions.

The total cost of MOP80,000, MOP128,000, MOP151,000, MOP338,000, MOP105,000 and MOP126,000 for each of the years ended 31 December 2014, 2015, 2016 and 2017 and each of the five months ended 31 May 2017 (unaudited) and 2018 respectively charged to consolidated statements of profit or loss and other comprehensive income represents contribution paid or payable to the above retirement benefit plans by the Group.

At the end of each of the reporting periods, the Group had no significant obligation apart from the contribution as stated above.

30. RELATED PARTY TRANSACTIONS**(i) Transactions**

- (a) Save as disclosed in other notes, during the Track Record Period, the Group entered into the following transactions with its related parties:

Related parties	Nature of transactions	Year ended 31 December				Five months ended 31 May	
		2014	2015	2016	2017	2017	2018
		MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
						<i>(unaudited)</i>	
Fu Tat Lei	Contract revenue received	—	49,873	7,943	—	—	—
Fu Tat Lei	Consultancy fee received	120	130	120	—	—	—
Wa Fa (note 18(f))	Management fee paid	7,009	6,915	4,598	—	—	—
San Iao Pong (note 18(g))	Subcontracting fee paid	847 [#]	3,114	3,471	458 [#]	458 [#]	—
Ms. Vicki Lao, Ms. Athena Lao and Ms. Lao Choi Ian	Rental expense paid	842	842	842	—	—	—
Ms. Vicki Lao, Ms. Athena Lao and Ms. Lao Choi Ian	Purchase of office premise	—	—	44,870	—	—	—

- # Ms. Vicki Lao purchased 60% equity interest of San Iao Pong on 10 September 2014, since then it became the related party to the Group. San Iao Pong was no longer related to the Group since 7 March 2017 and the amount only represented transactions up to 6 March 2017.

- (b) Disposals of a joint venture and subsidiaries to related parties are disclosed in notes 17 and 25, respectively.

(ii) Balances

Details of the balances with related parties are set out in the consolidated statements of financial position and note 18.

(iii) Pledge of assets and guarantees in support of the banking facilities by related parties

Details are disclosed in notes 23, 27 and 28.

(iv) Compensation of key management personnel

The remuneration of key management personnel (including the executive directors of the Company) of the Group during the Track Record Period is as follows:

	Year ended 31 December				Five months ended 31 May	
	2014	2015	2016	2017	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Salaries and other allowances	2,439	3,159	5,057	7,118	2,383	2,695
Retirement benefits scheme contributions	<u>3</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>
	<u>2,442</u>	<u>3,163</u>	<u>5,061</u>	<u>7,122</u>	<u>2,387</u>	<u>2,699</u>

The remuneration of key management personnel is determined with regard to the performance of individuals and market trends.

31. MAJOR NON-CASH TRANSACTIONS

- (i) During the year ended 31 December 2016, the Group purchased an office premise, which was held under the names of Ms. Vicki Lao, Ms. Athena Lao and Ms. Lao Choi Ian, at a consideration of HK\$43,500,000 (equivalent to MOP44,870,000). The consideration was settled by set-off against the amount due from a director, Mr. Lao.
- (ii) On 30 June 2017, the amounts due from related companies of MOP15,594,000 and amount due to a related company of MOP14,999,000 were assigned to Mr. Lao, along with amount due to Mr. Lao of MOP12,027,000, were netted off against the amount due from Mr. Lao, the director of the Company.
- (iii) During the year ended 31 December 2017, a dividend declared of MOP284,326,000 was settled through offsetting the amount due from Mr. Lao, the director of the Company.

32. INTERESTS IN SUBSIDIARIES

As at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiary	Place of incorporation/ establishment	Date of incorporation/ establishment	Issued and fully paid capital/ registered capital	Equity interest attributable to the Company as at						Principal activities	Notes
				As at 31 December				As at			
				2014	2015	2016	2017	31 May 2018	the date of this report		
<i>Directly held</i>											
SFS BVI	BVI	4 August 2011	United States dollar 10	100%	100%	100%	100%	100%	100%	Investment holding	(a)
<i>Indirectly held</i>											
San Fong Seng Construction & Engineering Company Limited ("SFS Construction Macau")	Macau	5 July 1998	MOP12,000,000	100%	100%	100%	100%	100%	100%	Construction works	(a)
New Generation Construction & Engineering Company Limited ("New Generation")	Macau	21 January 2011	MOP50,000	98%	98%	—	—	—	—	Dormant	(a) & (b)
San Kong Seng Federal Construction Company Limited ("SKS Federal Construction")	Macau	26 February 2013	MOP30,000	50%	50%	—	—	—	—	Dormant	(a) & (b)
San Fong Seng Construction & Engineering Co., Limited ("SFS Construction Hong Kong")	Hong Kong	18 March 2011	HK\$1	100%	100%	100%	100%	100%	100%	Management service	(c)

Notes:

- (a) No statutory audited financial statements of SFS BVI, SFS Construction Macau, New Generation and SKS Federal Construction have been prepared since their respective dates of incorporation as they are incorporated in a jurisdiction where there are no statutory audit requirements.
- (b) The 98% equity interest of New Generation and its 51% subsidiary, SKS Federal Construction was disposed on 30 December 2016 (note 25).
- (c) The statutory financial statements of SFS Construction Hong Kong for the year ended 31 December 2014, 2015, 2016 and 2017 were prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and were audited by K. P. Wong & Co., Certified Public Accountants, certified public accountants registered in Hong Kong.

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of net debt, which includes bank overdrafts and bank borrowings disclosed in notes 21 and 23 respectively, net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital, legal reserve and retained earnings.

The management of the Group reviews the capital structure on a continuous basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through payment of dividends, issue of new shares as well as issue of new debts or redemption of existing debts.

34. FINANCIAL INSTRUMENTS

Categories of financial instruments

	The Group				The Company		
	At 31 December				At	At	At
	2014	2015	2016	2017	31 May 2018	31 December 2017	31 May 2018
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
Financial assets							
Loans and receivables (including cash and cash equivalents)	438,963	429,777	475,565	142,504	—	—	—
Financial assets at amortised cost	—	—	—	—	157,755	—	—
Financial liabilities							
Amortised cost	162,575	127,251	109,439	39,378	28,316	12,449	17,275

Financial risk management objectives and policies

The Group's financial instruments include trade and other receivables, amounts due from related companies, amount due from a director, pledged bank deposits, bank balances and cash, trade and other payables, amounts due to related companies, amount due to a director, bank overdrafts and bank borrowings. The Company's financial instrument includes amount due to a subsidiary. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk*Currency risk*

The Group entities collect most of its revenue and incur most of its expenditures in their respective functional currencies. The Group is exposed to currency risk primarily through purchase of raw materials and sales proceeds received from customers that are denominated in a currency other than the group entities' functional currency. The currencies giving rise to this risk are primarily HK\$ and RMB.

The Group currently does not have a foreign currency hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of each reporting period are as follows:

The Group

	Assets					Liabilities				
	At 31 December				At 31 May	At 31 December				At 31 May
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
HK\$ against MOP	115,091	88,296	126,822	109,159	139,604	91,766	31,375	41,707	467	433
RMB against MOP	<u>49,759</u>	<u>319</u>	<u>91</u>	<u>54</u>	<u>60</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>14</u>	<u>14</u>

Sensitivity analysis

As the exchange rate of HK\$/MOP is relatively stable, the management of the Group does not expect any significant foreign currency exposure arising from the fluctuation of the HK\$/MOP exchange rates. As a result, the management of the Group considers that the sensitivity of the Group's exposure towards the change in foreign exchange rates between HK\$/MOP is minimal.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against MOP. 5% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis of the Group's exposure to foreign currency risk at the end of each reporting period has been determined based on the change taking place at the beginning of the year/period and held constant throughout the year/period.

A negative number below indicates a decrease in post-tax profit for the relevant year/period where a 5% weakening of RMB against MOP. For a 5% strengthening of RMB against MOP, there would be an equal and opposite impact on the post-tax profit for the year/period as set out below:

	Impact to post-tax profit			Five months ended	
	2014	2015	2016	2017	31 May 2018
	MOP'000	MOP'000	MOP'000	MOP'000	MOP'000
RMB against MOP	<u>(2,189)</u>	<u>(14)</u>	<u>(4)</u>	<u>(2)</u>	<u>(2)</u>

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year/period end exposure does not reflect the exposure during the Track Record Period.

Interest rate risk

The Group has minimal exposure to fair value interest rate risk in relation to fixed-rate pledged bank deposits and bank overdrafts.

The Group's cash flow interest rate risk relates primarily to floating-rate bank balances and bank borrowings. The Group currently does not have an interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group's exposure to interest rates on financial liabilities is detailed in the liquidity risk management section of this note.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on the Prime Rate arising from the Group's bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risk on floating-rate bank borrowings. The sensitivity analysis is prepared assuming the floating-rate bank borrowings outstanding at the end of each reporting period were outstanding for the whole year/period. No sensitivity analysis is provided on bank balances as the management of the Group considers that the interest rate fluctuation on bank balances is minimal.

A 50 basis point increase or decrease is used in the sensitivity analysis, which represents management's assessment of the reasonably possible change in interest rates. If the interest rate had been 50 basis point higher/lower and all other variables were held constant, the Group's post-tax profit for each of the years ended 31 December 2014, 2015, 2016 and 2017 and five months ended 31 May 2018 would decrease/increase by approximately MOP227,000, MOP136,000, MOP182,000, nil and nil, respectively.

Credit risk

At the end of each reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amounts of the respective recognised financial assets and contract assets as stated in the consolidated statements of financial position.

The Group's construction contracts include payment terms which require progress payments, after deducting the retention monies as disclosed in note 20, over the construction period based on the payment certificates issued by architects, surveyors or other representatives appointed by the customers.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable and other receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The policy of allowances for doubtful debts of the Group is based on the evaluation and estimation of collectability and ageing analysis of the outstanding debts. Specific allowance is only made for receivables that are unlikely to be collected and is recognised on the difference between the estimated future cash flows expected to receive discounted using the original effective interest rate and the carrying value. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required. The management closely monitors the subsequent settlement of the counterparties. In this regard, the management of the Group consider that the credit risk is significantly reduced.

The Group is exposed to concentration of credit risk as at 31 December 2014, 2015, 2016 and 2017 and 31 May 2018 on trade receivables from the Group's three major customers amounting to MOP11.0 million, MOP18.9 million, MOP35.7 million, MOP13.2 million and MOP25.1 million, respectively and accounted for 30%, 45%, 96%, 72% and 73%, respectively, of the Group's total trade receivables. In the opinion of the management of the Group, the major customers of the Group are certain reputable organisations in the market. The management of the Group considers that the credit risk is limited in this regard.

Since the adoption of IFRS 9 on 1 January 2018, the Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for trade receivables and contract assets.

Management assessed the expected loss on trade receivables and contract assets individually. Based on historical experience of the Group, these trade receivables and contract assets are generally recoverable due to the long term/on-going relationship and good repayment record. As at 31 May 2018, the additional loss allowance for provision for trade receivables and contract assets was insignificant.

In addition, the directors of the Company are of the opinion that no event of default occurred for trade receivables aged over 90 days and the balances are still considered fully recoverable due to long-term/on-going relationship and good repayment record from these customers.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group believes that the Group will have sufficient working capital for its future operational requirement.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates.

The table includes both interests and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from contracted interest rate curve at the end of each reporting period.

The Group

	Weighted average interest rate %	On demand or less than 3 months MOP'000	Total undiscounted cash flows MOP'000	Total carrying amount MOP'000
31 December 2014				
Non-derivative financial liabilities				
Trade and other payables	N/A	51,468	51,468	51,468
Amounts due to related companies	N/A	5,344	5,344	5,344
Amount due to a director	N/A	12,027	12,027	12,027
Bank overdrafts	1.25	42,161	42,161	42,161
Variable-rate bank borrowings	4.05	<u>51,670</u>	<u>51,670</u>	<u>51,575</u>
		<u>162,670</u>	<u>162,670</u>	<u>162,575</u>

	Weighted average interest rate %	On demand or less than 3 months <i>MOP'000</i>	Total undiscounted cash flows <i>MOP'000</i>	Total carrying amount <i>MOP'000</i>
31 December 2015				
Non-derivative financial liabilities				
Trade and other payables	N/A	65,699	65,699	65,699
Amounts due to related companies	N/A	18,150	18,150	18,150
Amount due to a director	N/A	12,027	12,027	12,027
Bank overdrafts	1.25	430	430	430
Variable-rate bank borrowings	2.77	<u>30,946</u>	<u>30,946</u>	<u>30,945</u>
		<u>127,252</u>	<u>127,252</u>	<u>127,251</u>
31 December 2016				
Non-derivative financial liabilities				
Trade and other payables	N/A	39,821	39,821	39,821
Amounts due to related companies	N/A	16,238	16,238	16,238
Amount due to a director	N/A	12,027	12,027	12,027
Bank overdrafts	1.25	93	93	93
Variable-rate bank borrowings	2.60	<u>41,374</u>	<u>41,374</u>	<u>41,260</u>
		<u>109,553</u>	<u>109,553</u>	<u>109,439</u>
31 December 2017				
Non-derivative financial liabilities				
Trade and other payables	N/A	<u>39,378</u>	<u>39,378</u>	<u>39,378</u>
31 May 2018				
Non-derivative financial liabilities				
Trade and other payables	N/A	<u>28,316</u>	<u>28,316</u>	<u>28,316</u>

The Company

	Weighted average interest rate %	On demand or less than 3 month MOP'000	Total undiscounted cash flows MOP'000	Total carrying amount MOP'000
31 December 2017				
Amount due to a subsidiary	N/A	12,449	12,449	12,449
31 May 2018				
Amount due to a subsidiary	N/A	<u>17,275</u>	<u>17,275</u>	<u>17,275</u>

Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management of the Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values.

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows from financing activities.

	1 January 2014 MOP'000	Interest accrued MOP'000	Financing cash flows MOP'000	31 December 2014 MOP'000
Amounts due to related companies	—	—	4,635	4,635
Amount due to a director	12,027	—	—	12,027
Bank borrowings	61,890	—	(10,315)	51,575
Interest payable	<u>87</u>	<u>4,038</u>	<u>(4,088)</u>	<u>37</u>

APPENDIX I
ACCOUNTANTS' REPORT

	1 January 2015	Interest accrued	Financing cash flows	31 December 2015
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Amounts due to related companies (non-trade)	4,635	—	10,315	14,950
Amount due to a director	12,027	—	—	12,027
Bank borrowings	51,575	—	(20,630)	30,945
Interest payable	<u>37</u>	<u>1,426</u>	<u>(1,400)</u>	<u>63</u>

	1 January 2016	Interest accrued/ issue costs accrued	Financing cash flows	Other change (Note)	31 December 2016
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Amounts due to related companies (non-trade)	14,950	—	—	49	14,999
Amount due to a director	12,027	—	—	—	12,027
Bank borrowings	30,945	—	10,315	—	41,260
Interest payable	63	1,122	(1,144)	—	41
Accrued issue costs	<u>—</u>	<u>967</u>	<u>(967)</u>	<u>—</u>	<u>—</u>

Note: The amount represents due to a former subsidiary disposed to a related party during the year ended 31 December 2016 (note 25).

	1 January 2017	Interest accrued/ issue costs accrued	Financing cash flows	Reclassification	31 December 2017
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Amounts due to related companies (non-trade)	14,999	—	—	(14,999)	—
Amount due to a director	12,027	—	—	(12,027)	—
Bank borrowings	41,260	—	(41,260)	—	—
Interest payable	41	706	(747)	—	—
Accrued issue costs	<u>—</u>	<u>3,473</u>	<u>(1,287)</u>	<u>—</u>	<u>2,186</u>

	1 January 2017	Interest accrued/ issue costs accrued	Financing cash flows	31 May 2017
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
				<i>(unaudited)</i>
Amounts due to related companies (non-trade)	14,999	—	—	14,999
Amount due to a director	12,027	—	—	12,027
Bank borrowings	41,260	—	—	41,260
Interest payable	41	321	(362)	—
Accrued issue costs	<u>—</u>	<u>1,760</u>	<u>(521)</u>	<u>1,239</u>
	1 January 2018	Issue costs accrued	Financing cash flows	31 May 2018
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>
Accrued issue costs	<u>2,186</u>	<u>785</u>	<u>(2,971)</u>	<u>—</u>

36. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the report, subsequent to 31 May 2018, the following significant events took place:

Pursuant to the written resolutions of all shareholders of the Company held on 17 August 2018, it was resolved, among other things, that:

- (i) the Company has conditionally adopted a share option scheme, the principal terms of which are set out in the section headed "Statutory and general information — D. Share Option Scheme" in Appendix V to the Prospectus. No options have been granted up to the date of this report;
- (ii) On 17 August 2018, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares to HK\$100,000,000 divided into 10,000,000,000 shares by the creation of an additional 9,962,000,000 shares; and

- (iii) conditional upon the share premium account of the Company being credited as a result of the public offer and placing of shares of the Company on the Stock Exchange, the directors of the Company were authorised to allot and issue a total of 449,980,000 shares of the Company, credited as fully-paid at par, to shareholders of the Company whose names appear on the register of members of the Company prior to the Listing pro rata to the then existing shareholding in the Company by way of capitalisation of the sum of HK\$4,499,800 (equivalent to MOP4,641,544) standing to the credit of the share premium account of the Company, and such shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued shares of the Company.

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of the companies now comprising the Group have been prepared in respect of any period subsequent to 31 May 2018.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the accountants' report on the historical financial information of the Group (the "Accountants' Report") from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix I to this prospectus, and is included in this prospectus for information only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the "Accountants' Report" set forth in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared by the directors of the Company in accordance with paragraph 4.29 of the Listing Rules to illustrate the effect of the proposed Global Offering on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 May 2018 as if the proposed Global Offering had taken place at 31 May 2018.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the consolidated net tangible assets of the Group had the proposed Global Offering been completed at 31 May 2018 or any future date.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 May 2018 as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus, and adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 31 May 2018	Estimated net proceeds from the proposed Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 May 2018	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 May 2018 per Share	
	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP'000</i>	<i>MOP</i>	<i>HK\$</i>
	<i>(Note 1)</i>	<i>(Note 2)</i>		<i>(Note 3)</i>	<i>(Note 4)</i>
Based on the Offer Price of HK\$0.52 per Offer Share	142,214	56,903	199,117	0.33	0.32
Based on the Offer Price of HK\$0.78 per Offer Share	142,214	94,715	236,929	0.39	0.38

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 May 2018 is extracted from the net assets of the Group as set out in the Accountants' Report set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the issue of the Offer Shares pursuant to the proposed Global Offering are based on 150,000,000 new Offer Shares at the Offer Price of lower limit and upper limit of HK\$0.52 and HK\$0.78 per Offer Share, respectively, after deduction of the underwriting commissions and fees and other related fees incurred by the Group (excluding approximately MOP15,058,000 listing expenses charged to profit or loss prior to 31 May 2018). It does not take into account any Shares (i) which may be allotted and issued under the Over-allotment Option, (ii) which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or (iii) which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors. For the purpose of calculating the estimated net proceeds from the Global Offering, the translation of HK\$ into MOP was made at the rate of HK\$1.00 to MOP1.0315, being the spot exchange rate as at 31 May 2018. No representation is made that the HK\$ amounts have been, could have been or could be converted in MOP, or vice versa, at the rate or at all.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 May 2018 per Share is arrived at on the basis that 600,000,000 Shares were in issue assuming that the proposed Global Offering and the Capitalisation Issue had been completed on 31 May 2018 and that the Over-allotment Option is not exercised. It does not take into account any Shares (i) which may be allotted and issued under the Over-allotment Option, (ii) which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or (iii) which may be allotted and issued or repurchased by the Company under the general mandates for the allotment and issue or repurchase of Shares granted to the Directors.
- (4) For the purpose of the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 May 2018 per Share, the amount stated in MOP is converted into Hong Kong dollars at the rate of MOP1.0315 to HK\$1.00, being the spot exchange rate as at 31 May 2018. No representation is made that the MOP amounts have been, could have been or could be converted to HK\$, or vice versa, at the rate or at all.
- (5) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 31 May 2018 does not take into account the effect of any trading result or other transaction of the Group entered into subsequent to 31 May 2018.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

**(B) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****Deloitte.****德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of AB Builders Group Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of AB Builders Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 31 May 2018 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 27 August 2018 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed public offer and placing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Global Offering") on the Group's financial position as at 31 May 2018 as if the Global Offering had taken place at 31 May 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the four years ended 31 December 2017 and the five months ended 31 May 2018, on which an accountants' report set out in Appendix I to the Prospectus has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the 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 the unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 May 2018 would have been as presented.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

27 August 2018

The following is the text of a letter and valuation reports, prepared for the purpose of the incorporation in this prospectus and received from Savills (Macau) Limited, an independent professional property valuer, in connection with the valuations as at 30 June 2018 of the Properties.



The Directors
AB Builders Group Limited

Savills (Macau) Limited
T: (853) 2878 0623
F: (853) 2878 1805

Suites 1309 - 1310
13/F Macau Landmark
555 Avenida da Amizade
Macau

savills.com.mo

27 August 2018

Dear Sirs,

RE: VALUATIONS OF UNIT A TO UNIT F ON THE 10TH FLOOR, RUA DE XANGAI NOS. 93-A — 125, RUA DE PEQUIM NOS. 112-A — 136, EDF. COMERCIAL I TAK, MACAU (THE “PROPERTIES”)

We are retained by AB Builders Group Limited (the “Company”) to prepare valuation reports in respect of the Properties, we confirm that we have carried out inspection, made relevant enquiries and searches and obtained such further information as we consider necessary for providing you with our opinion of the Market Values of the Properties for incorporation into a listing documents of the Company for the listing of the shares of the Company or its holding company on the Stock Exchange of Hong Kong Limited (the “Proposal Listing”) as at 30 June 2018 (the “Valuation Date”). We understand that our valuations may be referred to and/or used for complying with the Company’s disclosure obligations.

BASIS OF VALUATIONS

Our valuations are our opinion of the Market Values of the Properties which we would define as intended to mean ‘the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion’.

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase, or transaction, and without offset for any associated taxes or potential taxes.

Our valuations have been undertaken in accordance with the HKIS Valuation Standards 2017 of The Hong Kong Institute of Surveyors (“HKIS”), which incorporates the International Valuation Standards (“IVS”), and where applicable, the relevant HKIS or jurisdictional supplement.

IDENTIFICATION AND STATUS OF THE VALUER

The subject valuation exercises are handled by Mr. Franco Liu, who is the Managing Director of Savills (Macau) Limited (“SML”). Mr. Franco Liu is a Member of the HKIS with about 21 years’ experience in valuation of properties in Hong Kong and Macau and has sufficient knowledge of the relevant market, the skills and understanding to handle the subject valuation exercises competently.

Prior to the instruction for us to provide this valuation service in respect of the Properties, SML and Mr. Liu had been involved in valuations of the Properties for incorporation into a listing documents in the past two years.

We are independent of the instructing party and the registered owner of the Properties. We are not aware of any instances which would give rise to potential conflict of interest from SML and Mr. Franco Liu in the subject exercises. We confirm SML and Mr. Franco Liu are in the position to provide objective and unbiased valuations for the Properties.

VALUATION METHODOLOGY

Unless otherwise stated, all the property interests are valued by the comparison method on the assumption that they can be sold with the properties in their existing states and conditions. A comparison based on prices realised on actual sales and/or offerings of comparable properties is made. Comparable properties with similar sizes, character, location, etc. are analyzed and carefully compared against all of the respective advantages and disadvantages of each property in order to arrive at a fair comparison of values. According to our agreed terms of engagement, we are not required to provide the reasons or other supporting information for the valuations.

TITLES INVESTIGATION

We have caused title searches to be made at the Conservatória do Registo Predial in Macau (the “Macau Land Registry”). We have not, however, searched the original documents to verify ownership or to ascertain the existence of any lease amendment which does not appear on the copies handed to us. We do not accept a liability for any interpretation which we have placed on such information which is more properly the sphere of your legal advisers.

VALUATION CONSIDERATION AND ASSUMPTIONS

In the course of our valuations, we have relied to a very considerable extent on the information, if any, given by the Company and have accepted advice given to us, if any, on such matters as planning approvals or statutory notices, easements, tenure, lettings, occupancies, possession of properties, floor areas and all other relevant matters. Dimensions, measurements and areas included in the valuation reports are based on information contained in the documents and leases, if any, provided to us and are therefore only approximations. Unless otherwise stated, no on-site measurement has been made.

Our valuations have been made on the assumption that the Properties are sold in the open market in their existing states without any effect of deferred term contract, leaseback, joint venture, management agreement or any other similar arrangement which might serve to affect the values of the Properties. In addition, no account has been taken of any option or right of pre-emption concerning or affecting the sale of the Properties and no allowance is made for the Properties to be sold to a single party and/or as a portfolio or portfolios.

We have inspected the exterior and, where possible the interior of all of the Properties. Our inspection was carried out by Mr. Ken Leong (MRTPI, Valuation Manager) on 29 June 2018. In undertaking our valuations, we have assumed that the interior of the Properties are finished and maintained in a reasonable condition commensurate with their age and use and without any unauthorized structures/ extensions or structural alterations. Moreover, no structural survey has been made but, in the course of our inspection, we did not note any serious defect. We are not, however, able to report that the Properties are free from rot, infestation or any other structural defect. No tests were carried out to any of the services.

No allowance has been made in our reports for any charge, mortgage or amount owing on the Properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Properties are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their value. We have valued the Properties on the assumptions that each property can be freely disposed of in the market without paying any additional premium.

The saleable areas of each property are quoted from the Informação por Escrita do Registo Predial (Title Search) issued by the Macau Land Registry. The saleable areas as stated in the attached valuation reports are only for valuation purposes and therefore they are not intended to be used as basis for any future property transactions.

In valuing the property interests for the properties in Macau, we have assumed that the owner(s) of the property interests have free and uninterrupted rights to use and assign the Properties during the whole unexpired terms granted. Upon the expiration of each of the terms, the government leases can be renewed upon application for another term of 10 years upon payment of fixed premiums provided that the grantees have (a) complied with covenants of the government leases and (b) settled the annual Government rents. The terms of the grant can be renewed until 19 December 2049.

Other special assumptions for each of the property interests, if any, have been stated in the footnotes of the valuation reports for the respective property interests.

Our valuations are prepared in compliance with the requirements set out in Chapter 5 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

REMARKS

Unless otherwise stated, all money amounts stated herein are in Hong Kong Dollars (“HK\$”). The exchange rate adopted in this report is HK\$1 to MOP1.03 that is prevailing as of the Valuation Date.

Our valuations are summarised and our Valuation Reports are enclosed herewith.

Yours faithfully,
For and on behalf of
Savills (Macau) Limited

Franco P L Liu
BSc (Hons), MRICS, MHKIS, RPS(GP), MCIREA
Managing Director
Valuation and Professional Services

Note: Mr. Franco P.L. Liu is a Registered Professional Surveyor (General Practice), a member of both the Royal Institution of Chartered Surveyors, United Kingdom and The Hong Kong Institute of Surveyors. He has over 21 years’ experience in the valuation of properties in Macau, Hong Kong and Mainland China.

Encl.

SUMMARY OF VALUES

No. Property	Market Value in Existing State as at 30 June 2018 (HK\$)	Interest Attributable to the Holding Company (%)	Market Value Attributable to the Holding Company as at 30 June 2018 (HK\$)
Property interests held by the Company in Macau for owner occupation			
1. Em Macau, Rua De Xangai N ^o s 93-A — 125, Rua De Pequim N ^o s 112-A — 136, Edf. Comercial I Tak A10 (Property No. 22459 — A10)	\$ 8,020,000	100%	\$ 8,020,000
2. Em Macau, Rua De Xangai N ^o s 93-A — 125, Rua De Pequim N ^o s 112-A — 136, Edf. Comercial I Tak B10 (Property No. 22459 — B10)	\$ 8,720,000	100%	\$ 8,720,000
3. Em Macau, Rua De Xangai N ^o s 93-A — 125, Rua De Pequim N ^o s 112-A — 136, Edf. Comercial I Tak C10 (Property No. 22459 — C10)	\$ 5,900,000	100%	\$ 5,900,000
4. Em Macau, Rua De Xangai N ^o s 93-A — 125, Rua De Pequim N ^o s 112-A — 136, Edf. Comercial I Tak D10 (Property No. 22459 — D10)	\$ 5,900,000	100%	\$ 5,900,000
5. Em Macau, Rua De Xangai N ^o s 93-A — 125, Rua De Pequim N ^o s 112-A — 136, Edf. Comercial I Tak E10 (Property No. 22459 — E10)	\$ 8,720,000	100%	\$ 8,720,000
6. Em Macau, Rua De Xangai N ^o s 93-A — 125, Rua De Pequim N ^o s 112-A — 136, Edf. Comercial I Tak F10 (Property No. 22459 — F10)	\$ 8,020,000	100%	\$ 8,020,000
Total:	\$45,280,000		\$45,280,000

VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2018
1.	Unit A on the 10th floor, Rua De Xangai N°s 93-A — 125, Rua De Pequim N°s 112-A — 136, Edf. Comercial I Tak, Macau (Property No. 22459 — A10)	The Property comprises an office unit on the 10th floor of Edf. Comercial I Tak, which was completed in or about 1992. The Property has a registered salable area of approximately 68.70 sq m (739 sq ft).	The Property is held for owner occupation as office.	HK\$8,020,000 (Hong Kong Dollars Eight Million and Twenty Thousand)

The Property is held under *Concessão Por Arrendamento* (租賃批地) for a term of 10 years commencing on 26 December 2015. The ground rent of the property for 2017 is MOP\$516.

Notes:

- The registered owner of the Property is Sang Fóng Seng Construção e Engenharia - Sociedade Unipessoal Limitada (新方盛建築工程一人有限公司).
- Upon our recent title search, the Property is subject a *Hipoteca Voluntária* (意定抵押) in favour of Banco Industrial e Comercial da China (Macau), S.A. (中國工商銀行(澳門)股份有限公司) vide a memorial no. 213335C dated 29 December 2016.

VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2018
2.	Unit B on the 10th floor, Rua De Xangai N°s 93-A — 125, Rua De Pequim N°s 112-A — 136, Edf. Comercial I Tak, Macau (Property No. 22459 — B10)	The Property comprises an office unit on the 10th floor of Edf. Comercial I Tak, which was completed in or about 1992. The Property has a registered salable area of approximately 74.80 sq m (805 sq ft).	The Property is held for owner occupation as office.	HK\$8,720,000 (Hong Kong Dollars Eight Million Seven Hundred and Twenty Thousand)

The Property is held under *Concessão Por Arrendamento* (租賃批地) for a term of 10 years commencing on 26 December 2015. The ground rent of the property for 2017 is MOP\$561.

Notes:

1. The registered owner of the Property is Sang Fóng Seng Construção e Engenharia - Sociedade Unipessoal Limitada (新方盛建築工程一人有限公司).
2. Upon our recent title search, the Property is subject a *Hipoteca Voluntária* (意定抵押) in favour of Banco Industrial e Comercial da China (Macau), S.A. (中國工商銀行(澳門)股份有限公司) vide a memorial no. 213335C dated 29 December 2016.

VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2018
3.	Unit C on the 10th floor, Rua De Xangai N°s 93-A — 125, Rua De Pequim N°s 112-A — 136, Edf. Comercial I Tak, Macau (Property No. 22459 — C10)	<p>The Property comprises an office unit on the 10th floor of Edf. Comercial I Tak, which was completed in or about 1992.</p> <p>The Property has a registered salable area of approximately 51.90 sq m (559 sq ft).</p> <p>The Property is held under <i>Concessão Por Arrendamento</i> (租賃批地) for a term of 10 years commencing on 26 December 2015. The ground rent of the property for 2017 is MOP\$390.</p>	The Property is held for owner occupation as office.	HK\$5,900,000 (Hong Kong Dollars Five Million and Nine Hundred Thousand)

Notes:

1. The registered owner of the Property is Sang Fóng Seng Construção e Engenharia - Sociedade Unipessoal Limitada (新方盛建築工程一人有限公司).
2. Upon our recent title search, the Property is subject a *Hipoteca Voluntária* (意定抵押) in favour of Banco Industrial e Comercial da China (Macau), S.A. (中國工商銀行(澳門)股份有限公司) vide a memorial no. 213335C dated 29 December 2016.

VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2018
4.	Unit D on the 10th floor, Rua De Xangai N°s 93-A — 125, Rua De Pequim N°s 112-A — 136, Edf. Comercial I Tak, Macau (Property No. 22459 — D10)	<p>The Property comprises an office unit on the 10th floor of Edf. Comercial I Tak, which was completed in or about 1992.</p> <p>The Property has a registered salable area of approximately 51.90 sq m (559 sq ft).</p> <p>The Property is held under <i>Concessão Por Arrendamento</i> (租賃批地) for a term of 10 years commencing on 26 December 2015. The ground rent of the property for 2017 is MOP\$390.</p>	The Property is held for owner occupation as office.	HK\$5,900,000 (Hong Kong Dollars Five Million and Nine Hundred Thousand)

Notes:

1. The registered owner of the Property is Sang Fóng Seng Construção e Engenharia - Sociedade Unipessoal Limitada (新方盛建築工程一人有限公司).
2. Upon our recent title search, the Property is subject a *Hipoteca Voluntária* (意定抵押) in favour of Banco Industrial e Comercial da China (Macau), S.A. (中國工商銀行(澳門)股份有限公司) vide a memorial no. 213335C dated 29 December 2016.

VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2018
5.	Unit E on the 10th floor, Rua De Xangai N°s 93-A — 125, Rua De Pequim N°s 112-A — 136, Edf. Comercial I Tak, Macau (Property No. 22459 — E10)	The Property comprises an office unit on the 10th floor of Edf. Comercial I Tak, which was completed in or about 1992. The Property has a registered salable area of approximately 74.80 sq m (805 sq ft).	The Property is held for owner occupation as office.	HK\$8,720,000 (Hong Kong Dollars Eight Million Seven Hundred and Twenty Thousand)

The Property is held under *Concessão Por Arrendamento* (租賃批地) for a term of 10 years commencing on 26 December 2015. The ground rent of the property for 2017 is MOP\$561.

Notes:

1. The registered owner of the Property is Sang Fóng Seng Construção e Engenharia - Sociedade Unipessoal Limitada (新方盛建築工程一人有限公司).
2. Upon our recent title search, the Property is subject a *Hipoteca Voluntária* (意定抵押) in favour of Banco Industrial e Comercial da China (Macau), S.A. (中國工商銀行(澳門)股份有限公司) vide a memorial no. 213335C dated 29 December 2016.

VALUATION REPORT

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in Existing State as at 30 June 2018
6.	Unit F on the 10th floor, Rua De Xangai N°s 93-A — 125, Rua De Pequim N°s 112-A — 136, Edf. Comercial I Tak, Macau (Property No. 22459 — F10)	<p>The Property comprises an office unit on the 10th floor of Edf. Comercial I Tak, which was completed in or about 1992.</p> <p>The Property has a registered salable area of approximately 68.70 sq m (739 sq ft).</p> <p>The Property is held under <i>Concessão Por Arrendamento</i> (租賃批地) for a term of 10 years commencing on 26 December 2015. The ground rent of the property for 2017 is MOP\$516.</p>	The Property is held for owner occupation as office.	HK\$8,020,000 (Hong Kong Dollars Eight Million and Twenty Thousand)

Notes:

1. The registered owner of the Property is Sang Fóng Seng Construção e Engenharia - Sociedade Unipessoal Limitada (新方盛建築工程一人有限公司).
2. Upon our recent title search, the Property is subject a *Hipoteca Voluntária* (意定抵押) in favour of Banco Industrial e Comercial da China (Macau), S.A. (中國工商銀行(澳門)股份有限公司) vide a memorial no. 213335C dated 29 December 2016.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of our Company and of certain aspects of Cayman Islands company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 23 February 2017 under the Companies Law. Our Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of our Company is limited and that the objects for which our Company is established are unrestricted (and therefore include acting as an investment company), and that our Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since our Company is an exempted company, that our Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of our Company carried on outside the Cayman Islands.
- (b) By special resolution our Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 17 August 2018 with effect from the Listing Date. A summary of certain provisions of the Articles is set out below.

(a) Shares

(i) *Classes of shares*

The share capital of our Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together

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holding (or, in the case of a member being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) *Alteration of capital*

Our Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) *Transfer of shares*

Subject to the Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of our Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

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The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which our Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to our Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) *Power of our Company to purchase its own shares*

Our Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of our Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where our Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) *Power of any subsidiary of our Company to own shares in our Company*

There are no provisions in the Articles relating to the ownership of shares in our Company by a subsidiary.

(vii) *Calls on shares and forfeiture of shares*

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate

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not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced our Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to our Company all monies which, at the date of forfeiture, were payable by him to our Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) **Directors**

(i) *Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of our Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of our Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

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At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of our Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in our Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of our Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and our Company) and our Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the “retirement by rotation” provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

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(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with our Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as our Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of our Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of our Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and our Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in our Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

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Neither our Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) *Power to dispose of the assets of our Company or any of its subsidiaries*

While there are no specific provisions in the Articles relating to the disposal of the assets of our Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by our Company and which are not required by the Articles or the Companies Law to be exercised or done by our Company in general meeting, but if such power or act is regulated by our Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(iv) *Borrowing powers*

The Board may exercise all the powers of our Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of our Company and, subject to the Companies Law, to issue debentures, debenture stock, bonds and other securities of our Company, whether outright or as collateral security for any debt, liability or obligation of our Company or of any third party.

(v) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or our Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in our Company may be entitled by reason of such employment or office.

Any Director who, at the request of our Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

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The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of our Company or companies with which our Company is associated in business, or may make contributions out of our Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with our Company or any of its subsidiaries) and former employees of our Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) *Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by our Company in general meeting.

(vii) *Loans and provision of security for loans to Directors*

Our Company shall not directly or indirectly make a loan to a Director or a director of any holding company of our Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of our Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) *Disclosure of interest in contracts with our Company or any of its subsidiaries*

With the exception of the office of auditor of our Company, a Director may hold any other office or place of profit with our Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which our Company may be interested, and shall not be liable to account to our Company or the members for any remuneration or other benefits received by him as a director, officer or member of

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such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by our Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with our Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to our Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with our Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to our Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of our Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of our Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

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(ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of our Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) *Proceedings of the Board*

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) **Alterations to the constitutional documents and our Company's name**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of our Company may only be altered or amended, and the name of our Company may only be changed, with the sanction of a special resolution of our Company.

(d) **Meetings of member**

(i) *Special and ordinary resolutions*

A special resolution of our Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of our Company duly convened and held, and where relevant as a special resolution so passed.

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(ii) *Voting rights and right to demand a poll*

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of our Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in our Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of our Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of our Company or at any meeting of any class of members of our Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where our Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

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(iii) *Annual general meetings*

Our Company must hold an annual general meeting each year other than the year of our Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) *Requisition of general meetings*

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(v) *Notices of meetings and business to be conducted*

An annual general meeting of our Company shall be called by at least 21 days' notice in writing, and any other general meeting of our Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by our Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify our Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Law and the Listing Rules, a notice or document may also be served or delivered by our Company to any member by electronic means.

Although a meeting of our Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of our Company entitled to attend and vote thereat; and

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- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in our Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(vi) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vii) *Proxies*

Any member of our Company entitled to attend and vote at a meeting of our Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. A proxy need not be a member of our Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

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(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by our Company, and of the assets and liabilities of our Company and of all other matters required by the Companies Law (which include all sales and purchases of goods by our company) necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions.

The books of accounts of our Company shall be kept at the head office of our Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of our Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or our Company in general meeting.

The Board shall from time to time cause to be prepared and laid before our Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of our Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), our Company may send summarised financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

Our Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by our Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of our Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

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(f) Dividends and other methods of distribution

Our Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to our Company on account of calls, instalments or otherwise.

Where the Board or our Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, our Company may by ordinary resolution in respect of any one particular dividend of our Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to our Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

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Whenever the Board or our Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of our Company until claimed and our Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to our Company.

No dividend or other monies payable by our Company on or in respect of any share shall bear interest against our Company.

Our Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of our Company is listed on the Stock Exchange, any member may inspect any register of members of our Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if our Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of our Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(i) Procedures on liquidation

A resolution that our Company be wound up by the court or be wound up voluntarily shall be a special resolution.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if our Company is wound up the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if our Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If our Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law, divide among the members in specie or kind the whole or any part of the assets of our Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) **Subscription rights reserve**

Provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by our Company and our Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

Our Company was incorporated in the Cayman Islands as an exempted company on 23 February 2017 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

APPENDIX IV SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND THE CAYMAN ISLANDS COMPANY LAW

(a) Company operations

An exempted company such as our Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by our company subject to the provisions, if any, of its memorandum and articles of association, in such manner as our company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of our company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of our company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of our company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, our company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

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(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of our company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of our company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of our company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of our company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of our company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of our company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, our company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to our company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

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(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Law, and the provisions, if any, of our company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of our company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of our company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of our Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of our company in issue, appoint an inspector to examine the affairs of our company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that our company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of our company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

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Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of our company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2016 Revision) of the Cayman Islands, our Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to our Company or its operations; and
- (ii) no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by our Company:
 - (aa) on or in respect of the shares, debentures or other obligations of our Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2016 Revision).

The undertaking for our Company is for a period of 20 years from 28 March 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

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(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, our company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of our company. They will, however, have such rights as may be set out in our company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as our company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Companies Law, our Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

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A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where our company resolves by special resolution that it be wound up voluntarily or where our company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, our company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as our company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of our company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of our company disposed of, and call a general meeting of our company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) our company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of our company in the interests of the contributors and creditors. A supervision order takes effect for all purposes as if it was an order that our company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon our company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of our company shall be in the custody of the court.

(q) **Reconstructions**

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of

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management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, our Company's legal adviser on Cayman Islands law, has sent to our Company a letter of advice which summarises certain aspects of the 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 VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 23 February 2017. Our Company has established a principal place of business in Hong Kong at 18th Floor, United Centre, 95 Queensway, Hong Kong and was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 16 May 2017. In connection with such registration, Pang Man Chun Manson of No. 79, 3rd Street, Section H, Fairview Park, Yuen Long, New Territories, Hong Kong has been appointed as the authorised representative of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it is subject to the Companies Law and its constitution, which comprises the Memorandum and the Articles of Association. A summary of certain provisions of our Company's constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares with a par value of HK\$0.01 each. On 23 February 2017, one share was allotted and issued nil-paid to the initial subscriber, and was subsequently transferred to Laos International. On the same day, 6,999 nil-paid Shares and 3,000 nil-paid Shares were allotted to Laos International and WHM Holdings, respectively.
- (b) On 15 September 2017, our Company, Laos International and WHM Holdings entered into a sale and purchase agreement, pursuant to which our Company acquired the entire issued share capital of SFS BVI from Laos International and WHM Holdings. In consideration of the above, the 7,000 nil-paid Shares held by Laos International and the 3,000 nil-paid Shares held by WHM Holdings were credited as fully paid and further allotment and issue of, credited as fully paid, 7,000 Shares to Laos International and 3,000 Shares to WHM Holdings.
- (c) On 17 August 2018, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,962,000,000 Shares.
- (d) Immediately following the completion of the Capitalisation Issue and the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), 600,000,000 Shares will be issued fully paid or credited as fully paid and 9,400,000,000 Shares will remain unissued.

- (e) Other than pursuant to the general mandate to issue Shares referred to in the section headed “4. Written resolutions of the Shareholders passed on 17 August 2018” in this Appendix and the exercise of the Over-allotment Option and any options which may be granted pursuant to the Share Option Scheme, 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.

Save as disclosed in the sections headed “History and Corporate Structure” and “Share Capital” in this prospectus, there has been no alteration in our Company’s share capital within two years immediately preceding the date of this prospectus.

3. Changes in share capital of the subsidiaries

The subsidiaries of our Company are listed in the Accountants’ Report of our Company, the text of which is set out in Appendix I to this prospectus.

Save as mentioned in the section headed “History and Corporate Structure — Reorganisation” in this prospectus, there has been no alteration in the share capital or registered capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

4. Written resolutions of the Shareholders passed on 17 August 2018

Under the written resolutions of the Shareholders passed on 17 August 2018, and pursuant to which among other things:

- (a) our Company approved and adopted the Memorandum and the Articles of Association with effect from the Listing Date;
- (b) the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional of 9,962,000,000 Shares, which rank *pari passu* in all respects with the Shares in issue as at the date of such resolutions;
- (c) conditional on (i) the Listing Committee granting the approval of the listing of, and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus; (ii) the Offer Price having been duly determined and the execution and delivery of the Hong Kong Underwriting Agreement on the date as specified in this prospectus; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including the waiver of any condition(s) by the Joint Global Coordinators (for themselves and on behalf of the Underwriters)) and not being terminated in accordance with the terms of such agreements, in each case on or before the dates and times specified

in the Underwriting Agreements (unless and to the extent such conditions are validly waived before such dates and times) and in any event not later than the date falling 30 days after the date of this prospectus:

- (i) the Global Offering and the grant of the Over-allotment Option by our Company were approved and our Directors were authorised to (aa) allot and issue the Shares pursuant to the Global Offering and such number of Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option; (bb) implement the Global Offering and the listing of Shares on Main Board; and (cc) do all things and execute all documents in connection with or incidental to the Global Offering and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;
- (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “D. Share Option Scheme” in this appendix, were approved and adopted and our Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at their absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal in the Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
- (iii) conditional upon the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorised to capitalise an amount of HK\$4,499,800 standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par a total of 449,980,000 Shares for allotment and issue to the Shareholders whose names appeared on the register of members of our Company in proportion (as near as possible without involving fractions so that no fraction of a share shall be allotted and issued) to their then existing respective shareholdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares and our Directors were authorised to give effect to such capitalisation;
- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal in (including the power to make an offer or agreement, or grant securities which would or might acquire Shares to be allotted and issued), otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any cash dividend in accordance with the Articles, or upon the exercise of any options which may be granted under the Share Option Scheme or under the Capitalisation Issue or the Global Offering or upon the exercise of the Over-allotment Option, Shares with an aggregate nominal value not exceeding the sum of 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering (excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme), until the conclusion of the next annual general

meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first;

- (e) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and Global Offering (excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme), until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first; and
- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the total number of Shares which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the total number of Shares repurchased by our Company pursuant to the Repurchase Mandate referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering (excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme).

5. **Reorganisation**

Our Group underwent the Reorganisation in preparation for the Listing. Please refer to the section headed “History and Corporate Structure — Reorganisation” in this prospectus for further details.

6. **Repurchase by our Company of its own securities**

This section includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) *Provisions of the Listing Rules*

The Listing Rules permits companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) *Shareholders' approval*

The Listing Rules provides that all proposed repurchases of shares (which must be fully paid in the case of Shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the written resolutions of the Shareholders passed on 17 August 2018, a general unconditional mandate (being the Repurchase Mandate referred to above) was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or any other stock exchange on which the Shares may be listed and recognised by the SFC and the Stock Exchange for this purpose, Shares representing up to 10% of the total number of the Shares in issue immediately following completion of the Capitalisation Issue and the Global Offering but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until (a) the conclusion of the next annual general meeting of our Company, or (b) the date by which the next annual general meeting of our Company is required by the Articles or any applicable laws of the Cayman Islands to be held, or (c) the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits, share premium or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, subject to the Companies Law, out of capital.

(iii) *Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a “core connected person” (as defined in the Listing Rules), which includes a Director, chief executive or substantial shareholder of our Company or any of the subsidiaries or an close associate of any of them and a core connected person shall not knowingly sell Shares to our Company on the Stock Exchange.

(b) *Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company’s net asset value per Share and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders.

(c) *Funding of repurchase*

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Memorandum and Articles, the Listing Rules and the applicable laws of the Cayman Islands including the Companies Law.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Company, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared to the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing level of our Group which in the opinion of our Directors are from time to time appropriate for our Group.

(d) *General*

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates, has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands including the Companies Law.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person of our Company has notified our Group that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts in the ordinary and usual course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:




- (a) an equity transfer agreement dated 22 November 2016 entered into between SFS Construction Macau as the transferor and New Kingdom as the transferee for the transfer of 60% equity interest in Jiangmen Jinying at a consideration of RMB6,000,000;
- (b) a share transfer agreement dated 30 December 2016 entered into between SFS Construction Macau as the transferor, Red Development as the transferee and Ms. Vicki Lao for the transfer of one share with nominal value of MOP49,000 of New Generation at a consideration of MOP49,000;
- (c) the licence agreement dated 1 January 2017 and the addendum to licence agreement dated 15 September 2017 entered into between SFS Construction Macau as licensee and San Fong Seng Group Limited as licensor in respect of the grant of an exclusive licence to SFS Construction Macau to use the registered trademarks specifically for the construction business in Hong Kong at a consideration of HK\$1.00 for an initial term of three years commencing from 1 January 2017 and ending on 31 December 2019;

- (d) the licence agreement dated 1 January 2017 and the addendum to licence agreement dated 15 September 2017 entered into between SFS Construction Macau as licensee and Red Development as licensor in respect of the grant of an exclusive licence to SFS Construction Macau to use the registered trademark specifically for the construction business in Macau at a consideration of HK\$1.00 for a term commencing from 1 January 2017 and ending on 26 September 2018;
- (e) an instrument of transfer dated 15 September 2017 entered into between Laos International as the transferor and our Company as the transferee for the transfer of seven shares of SFS BVI from Laos International to our Company in consideration of (i) crediting as fully paid at par the 7,000 nil-paid Shares held by Laos International and (ii) allotment and issue of 7,000 Shares, credited as fully paid, to Laos International;
- (f) an instrument of transfer dated 15 September 2017 entered into between WHM Holdings as the transferor and our Company as the transferee for the transfer of three shares of SFS BVI from WHM Holdings to our Company in consideration of (i) crediting as fully paid at par the 3,000 nil-paid Shares held by WHM Holdings and (ii) allotment and issue of 3,000 Shares, credited as fully paid, to WHM Holdings;
- (g) the Deed of Indemnity;
- (h) the Deed of Non-Competition; and
- (i) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights

(a) *Trademark*

Under the licence agreements both dated 1 January 2017 and the addendum to licence agreements both dated 15 September 2017 (the “**Trademark Licence Agreements**”), the following trademarks have been licenced to us:

No.	Trademark	Place of Registration	Class	Registrant	Registration No.	Expiry Date
1.	 SS 新方盛集團 SAN FONG SENG GROUP	Hong Kong	36, 37 and 42	San Fong Seng Group Limited	301878797	3 April 2021
	 SS 新方盛集團 SAN FONG SENG GROUP					
2.	 SS 新方盛集團 SAN FONG SENG GROUP	Macau	36, 37 and 42	Red Development	N/055163, N/055164 and N/055165	26 September 2018

For further details of the Trademark Licence Agreements, please refer to the section headed “Connected Transactions — Fully exempt continuing connected transactions” in this prospectus.

(b) *Domain name*

As at the Latest Practicable Date, our Group had registered the following domain names that are material to the business of our Group:

<u>Domain name</u>	<u>Registrant</u>	<u>Registration date</u>	<u>Expiry date</u>
<u>www.abbuildersgroup.com</u>	SFS Construction Macau	2 May 2017	2 May 2023
<u>www.sanfongseng.com</u>	SFS Construction Macau	21 December 2009	21 December 2021

C. DISCLOSURE OF INTEREST

1. Interests and short positions of our Directors and the chief executives of our Company in the Shares, underlying Shares and debentures of our Company and its associated corporations following the Global Offering

Immediately following completion of the Capitalisation Issue and the Global Offering, but without taking into account any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, the interests or short positions of our Directors or chief executives of our Company in the Shares, underlying Shares or debentures of our Company or any of the associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register as referred to therein, or will be required, or pursuant to the Listing Rules, to be notified to our Company and the Stock Exchange will be as follows:

Long position in Shares

Name of Director	Capacity/Nature of interest	Name of Shares held/interested immediately following Completion of the Capitalisation Issue and the Global Offering	Approximate percentage of shareholding immediately following completion of the Capitalisation Issue and the Global Offering
Mr. Lao (<i>Note 1</i>)	Interest in controlled corporation and interest held by spouse	450,000,000	75%

Notes:

- Mr. Lao is our Controlling Shareholder and executive Director. Shares in which Mr. Lao is interested consist of (i) 315,000,000 Shares held by Laos International, a company wholly owned by Mr. Lao, in which Mr. Lao is deemed to be interested under the SFO; and (ii) 135,000,000 Shares held by his spouse, Mrs. Lao (through her wholly owned corporation, WHM Holdings), in which Mr. Lao is deemed to be interested in such Shares under the SFO.

2. Interests and short positions of substantial shareholders in the Shares, underlying Shares and debentures of our Company and its associated corporations

So far as it is known to our Directors, immediately following the completion of the Capitalisation Issue and the Global Offering, but without taking into account any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, the following persons (not being a Director or chief executive of our Company) will have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in Shares

Name	Capacity/Nature of interest	Name of Shares held/interested immediately following Completion of the Capitalisation Issue and the Global Offering <i>(Note 3)</i>	Approximate percentage of shareholding immediately following completion of the Capitalisation Issue and the Global Offering
Mrs. Lao <i>(Note 1)</i>	Interest in a controlled corporation and interest of spouse	450,000,000	75%
Laos International <i>(Note 2)</i>	Beneficial owner	315,000,000	52.5%
WHM Holdings <i>(Note 3)</i>	Beneficial owner	135,000,000	22.5%

Notes:

- Shares in which Mrs. Lao is interested consist of (i) 135,000,000 Shares held by WHM Holdings, a company wholly owned by Mrs. Lao, in which Mrs. Lao is deemed to be interested under the SFO; and (ii) 315,000,000 Shares held by her spouse, Mr. Lao, in which Mrs. Lao is deemed to be interested in such Shares under the SFO.

2. Laos International is wholly owned by Mr. Lao, our Controlling Shareholders and executive Director.
3. WHM Holdings is wholly owned by Mrs. Lao, our Controlling Shareholders.

3. Particulars of service agreements and appointment letters

(a) *Executive Directors*

Each of our executive Directors has entered into a service agreement with our Company pursuant to which he or she has agreed to act as an executive Director for a fixed term of three years with effect from the Listing Date and the annual director's fees range from MOP195,000 to MOP1,560,000. The term of service shall be renewed and extended automatically by three years on the expiry of such initial term and on the expiry of every successive period of three years thereafter, unless either party has given at least three month's written notice of non-renewal before the expiry of the then existing term.

(b) *Independent non-executive Directors*

Each of the independent non-executive Directors has been appointed for a fixed term of three years with effect from the Listing Date and is entitled to an annual director's fee of HK\$240,000. Save for our Directors' fees, none of the independent non-executive Directors is expected to receive any other emolument for holding his or her office as an independent non-executive Director. The appointments are subject to the provisions of retirement by rotation of Directors under the Articles.

Save as disclosed above, none of our Directors has or is proposed to have a service agreement with our Company or any of the subsidiaries (other than the contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

4. Directors' emoluments

- (a) For the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, the aggregate emoluments paid and benefits in kind granted by our Group to our Directors were approximately MOP1.7 million, MOP2.4 million, MOP3.1 million, MOP3.8 million and MOP1.4 million, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments payable by our Group to and benefits in kind receivable by our Directors for the year ending 31 December 2018 are expected to be approximately MOP2.0 million.
- (c) None of our Directors or any past directors of any member of our Group has been paid any sum of money for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018, (i) as an inducement to join or upon joining our Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

- (d) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018.
- (e) Under the arrangements currently proposed, conditional upon the Listing, the basic annual emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

Executive Directors	<i>MOP</i>
Mr. Lao	195,000
Ms. Athena Lao	651,000
Ms. Vicki Lao	651,000
Mr. Cheang	651,000
Mr. Ip Kin Wa	1,560,000
Independent non-executive Directors	<i>HK\$</i>
Mr. Chu Yat Pang Terry	240,000
Mr. Law Wang Chak Waltery	240,000
Mr. Choy Wai Shek, Raymond, <i>MH, JP</i>	240,000

- (f) Each of our executive Directors and independent non-executive Directors is entitled to reimbursement of all necessary and reasonable out-of-pocket expenses properly incurred in relation to all business and affairs carried out by our Group from time to time or in discharge of his or her duties to our Group under the service agreement.

5. Fees or commission received

Save as disclosed in the section headed “Underwriting — Underwriting arrangements and expenses” in this prospectus, none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix had received any agency fee or commissions from our Group within the two years immediately preceding the date of this prospectus.

6. Related party transactions

Details of the related party transactions are set out under Note 30 to the Accountants’ Report as set out in Appendix I to this prospectus.

7. Disclaimers

Save as disclosed in this prospectus:

- (a) without taking into account of any Shares which may be taken up or acquired under the Global Offering or upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Capitalisation Issue and the Global Offering, have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (b) none of our Directors has any interest or short position in any of the Shares, underlying Shares or debentures of our Company or any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Listing Rules, in each case once the Shares are listed;
- (c) none of our Directors or the experts named in paragraph headed “E. Other information — 6. Qualifications of experts” in this appendix has been directly or indirectly interested in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of its subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the Global Offering Shares either in his own name or in the name of a nominee;
- (d) none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole; and
- (e) none of the experts named in paragraph headed “E. Other information — 6. Qualifications of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme conditionally adopted under the resolutions of the Shareholders passed on 17 August 2018:

1. Conditions

- (a) The Share Option Scheme is conditional upon:
 - (i) the Listing Committee granting the listing of and permission to deal in such number of Shares representing the General Scheme Limit (as defined in paragraph 7(b)) to be allotted and issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme;
 - (ii) the passing of the necessary resolution to approve and adopt the Share Option Scheme in general meeting or by way of written resolution of the Shareholder(s);
 - (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with its terms or otherwise; and
 - (iv) the commencement of dealings in the Shares on the Stock Exchange.
- (b) If the conditions referred to in paragraph 1(a) are not satisfied on or before the date falling 30 days after the date of this prospectus, the Share Option Scheme shall forthwith terminate and no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme.
- (c) Reference in paragraph 1(a)(i) to the Listing Committee formally granting the listing and permission referred to therein shall include any such listing and permission which are granted subject to the fulfilment of any condition precedent or condition subsequent.

2. Purpose, duration and administration

- (a) The purpose of the Share Option Scheme is to enable our Group to grant options to the Eligible Participants (as defined in paragraph 3(a) below) as incentives or rewards for their contribution to our Group.
- (b) The Share Option Scheme shall be subject to the administration of our Directors whose decision on all matters arising in relation to the Share Option Scheme or their interpretation or effect shall (save for the grant of options referred to in paragraph 3(b) which shall be approved in the manner referred to therein and save as otherwise provided herein) be final and binding on all persons who may be affected thereby.

- (c) Subject to paragraphs 1 and 13, the Share Option Scheme shall be valid and effective until the “**Termination Date**” (which means, the close of business of our Company on the date which falls ten (10) years after the Adoption Date (as defined in paragraph 3(a) below)), after which period no further options may be issued but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.
- (d) An Eligible Participant (as defined in paragraph 3(a) below) who accepts the offer in accordance with the terms of the Share Option Scheme or (where the context so permits and as referred to in paragraph 5(d)(i)) his personal representative (the “**Grantee**”) shall ensure that the acceptance of an offer, the holding and exercise of his option in accordance with the Share Option Scheme, the allotment and issue of Shares to him upon the exercise of his option and the holding of such Shares are valid and comply with all laws, legislation and regulations including all applicable exchange control, fiscal and other laws to which he is subject. Our Directors may, as a condition precedent of making an offer and allotting Shares upon an exercise of an option, require an Eligible Participant or a Grantee (as the case may be) to produce such evidence as it may reasonably require for such purpose.

3. **Grant of options**

- (a) Subject to paragraph 3(b), our Directors shall, in accordance with the provisions of the Share Option Scheme and the Listing Rules, be entitled but shall not be bound at any time within a period of ten (10) years commencing from the “**Adoption Date**” (which means, the date on which the Share Option Scheme is adopted upon fulfilment of the condition set out in paragraph 1(a)(ii)) to make an offer to any person belonging to the following classes of participants (the “**Eligible Participants**”) to subscribe, and no person other than the Eligible Participant named in such offer may subscribe, for such number of Shares (being a board lot for dealings in the Shares on the Stock Exchange or an integral multiple thereof) at such price per Share at which a Grantee may subscribe for the Shares on the exercise of an option, as determined in accordance with paragraph 4 (the “**Subscription Price**”), as our Directors shall, subject to paragraph 4, determine:
- (i) any employee (whether full time or part time, including any executive director and non-executive director but excluding any independent non-executive director) of our Company, any subsidiary or any entity in which any member of our Group holds any equity interest (the “**Invested Entity**”);
 - (ii) any non-executive directors (including independent non-executive directors) of our Company, any subsidiary or any Invested Entity;
 - (iii) any supplier of goods or services to any member of our Group or any Invested Entity;
 - (iv) any customer of any member of our Group or any Invested Entity;

- (v) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
- (vi) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
- (vii) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and
- (viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of our Group,

and, for the purposes of the Share Option Scheme, the offer may be made to any company wholly-owned by one or more Eligible Participants.

For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the above classes of Eligible Participants shall not, by itself, unless our Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

- (b) Without prejudice to paragraph 7(d) below, the making of an offer to any Director, chief executive or substantial shareholder of our Company, or any of their respective associates must be approved by the independent non-executive Directors (excluding any independent non-executive Director who or whose associate is the proposed Grantee of an option).
- (c) The eligibility of any of the Eligible Participants to an offer shall be determined by our Directors from time to time on the basis of our Directors' opinion as to his contribution to the development and growth of our Group.
- (d) An offer shall be made to an Eligible Participant in writing (and unless so made shall be invalid) in such form as our Directors may from time to time determine, either generally or on a case-by-case basis, specifying the number of Shares under the option and the "**Option Period**" (which means, in respect of any particular option, a period (which may not expire later than 10 years from the offer date of that option) to be determined and notified by our Directors to the Grantee thereof and, in the absence of such determination, from the offer date to the earlier of (i) the date on which such option lapses under the provisions of paragraph 6; and (ii) 10 years from the offer date of that option) in respect of which the offer is made and further requiring the Eligible Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme and shall remain open for acceptance by the Eligible Participant concerned (and by no other person) for a period of up to 21 days from the offer date.

- (e) An offer shall state, in addition to the matters specified in paragraph 3(d), the following:
- (i) the name, address and position of the Eligible Participant;
 - (ii) the number of Shares under the option in respect of which the offer is made and the Subscription Price for such Shares;
 - (iii) the Option Period in respect of which the Offer is made or, as the case may be, the Option Period in respect of separate parcels of Shares under the option comprised in the offer;
 - (iv) the last date by which the offer must be accepted (which may not be later than 21 days from the offer date);
 - (v) the procedure for acceptance;
 - (vi) the performance target(s) (if any) that must be attained by the Eligible Participant before any option can be exercised;
 - (vii) such other terms and conditions of the offer as may be imposed by our Directors as are not inconsistent with the Share Option Scheme; and
 - (viii) a statement requiring the Eligible Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme including, without limitation, the conditions specified in, inter alia, paragraphs 2(d) and 5(a).
- (f) An offer shall have been accepted by an Eligible Participant in respect of all Shares under the option which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.
- (g) Any offer may be accepted by an Eligible Participant in respect of less than the number of Shares under the option which are offered provided that it is accepted in respect of a board lot for dealings in the Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate letter comprising acceptance of the offer duly signed by such Eligible Participant and received by our Company together with a remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof within such time as may be specified in the offer (which shall not be later than 21 days from the offer date). Such remittance shall in no circumstances be refundable.

- (h) Upon an offer being accepted by an Eligible Participant in whole or in part in accordance with paragraph 3(f) or 3(g), an option in respect of the number of Shares in respect of which the offer was so accepted will be deemed to have been granted by our Company to such Eligible Participant on the offer date. To the extent that the offer is not accepted within the time specified in the offer in the manner indicated in paragraph 3(f) or 3(g), it will be deemed to have been irrevocably declined.
- (i) The Option Period of an option may not end later than ten (10) years after the Offer Date of that Option.
- (j) Options will not be listed or dealt in on the Stock Exchange.
- (k) For so long as the Shares are listed on the Stock Exchange:
 - (i) our Company may not grant any options after inside information has come to the knowledge until our Company has announced the information. In particular, our Company may not grant any option during the period commencing one month immediately before the earlier of:
 - (aa) the date of the board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and
 - (bb) the deadline for our Company to announce the results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),and ending on the date of the results announcement; and
 - (ii) our Directors may not make any offer to an Eligible Participant who is a Director during the periods or times in which our Directors are prohibited from dealing in Shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or any corresponding code or securities dealing restrictions adopted by our Company.

4. Subscription Price

Subject to the applicable requirements of the Listing Rules, the Subscription Price in respect of any option shall, subject to any adjustments made pursuant to paragraph 8, be at the discretion of our Directors, provided that it shall not be less than the highest of:

- (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the Shares on the offer date;

- (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the offer date; and
- (c) the nominal value of the Share,

except that for the purpose of calculating the Subscription Price under paragraph 4(b) above for an option offered within five business days of the Listing Date, the price at which the Shares are to be offered for subscription under the listing shall be used as the closing price for any business day falling within the period before the Listing Date.

5. Exercise of options

- (a) An option shall be personal to the Grantee and shall not be transferable or assignable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement so to do. Any breach of the foregoing by a Grantee shall entitle our Company to cancel any option granted to such Grantee to the extent not already exercised.
- (b) Unless otherwise determined by our Directors and stated in the offer to a Grantee, a Grantee is not required to hold an option for any minimum period nor achieve any performance targets before the exercise of an option granted to him.
- (c) Subject to, inter alia, paragraph 2(d), the obtainment of all necessary consents, and the fulfilment of all terms and conditions set out in the offer, including the attainment of any performance targets stated therein (if any), an option shall be exercisable in whole or in part in the circumstances and in the manner as set out in paragraphs 5(d) and 5(e) by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is so exercised (which, except where the number of Shares in respect of which the option remains unexercised is less than one board lot or where the option is exercised in full, must be for a board lot for dealings in Shares on the Stock Exchange or an integral multiple thereof). Each such notice must be accompanied by a remittance for the full amount of the Subscription Price for Shares in respect of which the notice is given. Within 21 days (7 days in the case of an exercise pursuant to paragraph 5(d)(iii)) after receipt of the notice and, where appropriate, receipt of the certificate of the auditors or the independent financial advisers pursuant to paragraph 8, our Company shall accordingly allot and issue the relevant number of Shares to the Grantee (or, in the event of an exercise of option by a personal representative pursuant to paragraph 5(d)(i), to the estate of the Grantee) fully paid and issue to the Grantee (or his estate in the event of an exercise by his personal representative as aforesaid) a share certificate for every board lot of Shares so allotted and issued and a share certificate for the balance (if any) of the Shares so allotted and issued which do not constitute a board lot.

- (d) Subject as hereinafter provided, an option may (and may only) be exercised by the Grantee at any time or times during the Option Period provided that:
- (i) if the Grantee is an Eligible Employee and in the event of his ceasing to be an Eligible Employee by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the option in full, his personal representative(s) or, as appropriate, the Grantee may exercise the option (to the extent not already exercised) in whole or in part in accordance with the provisions of paragraph 5(c) within a period of 12 months following the date of cessation of employment which date shall be the last day on which the Grantee was at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not, or such longer period as our Directors may determine or, if any of the events referred to in paragraph 5(d)(iii) or 5(d)(iv) occur during such period, exercise the option pursuant to paragraph 5(d)(iii) or 5(d)(iv) respectively;
 - (ii) if the Grantee is an Eligible Employee and in the event of his ceasing to be an Eligible Employee for any reason other than his death, ill-health or retirement in accordance with his contract of employment or the termination of his employment on one or more of the grounds specified in paragraph 6(a)(iv) before exercising the option in full, the option (to the extent not already exercised) shall lapse on the date of cessation or termination and not be exercisable unless our Directors otherwise determine in which event the Grantee may exercise the option (to the extent not already exercised) in whole or in part in accordance with the provisions of paragraph 5(c) within such period as our Directors may determine following the date of such cessation or termination or, if any of the events referred to in paragraph 5(d)(iii) or 5(d)(iv) occur during such period, exercise the option pursuant to paragraph 5(d)(iii) or 5(d)(iv) respectively. The date of cessation or termination as aforesaid shall be the last day on which the Grantee was actually at work with our Company or the relevant subsidiary or the Invested Entity whether salary is paid in lieu of notice or not;
 - (iii) if a general or partial offer, whether by way of take-over offer, share re-purchase offer, or scheme of arrangement or otherwise in like manner is made to all the Shareholders, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all reasonable endeavours to procure that such offer is extended to all the Grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, the Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to the Shareholders, the Grantee shall, notwithstanding any other terms on which his options were granted, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the Grantee's notice to our Company in accordance with the provisions of paragraph 5(c) at any time thereafter and up to the close of such offer (or any revised offer) or the record date for entitlements under scheme of arrangement, as the case may be;

- (iv) in the event of a resolution being proposed for the voluntary winding-up of our Company during the Option Period, the Grantee may, subject to the provisions of all applicable laws, by notice in writing to our Company at any time not less than two (2) business days before the date on which such resolution is to be considered and/or passed, exercise his option (to the extent not already exercised) either to its full extent or to the extent specified in such notice in accordance with the provisions of paragraph 5(c) and our Company shall allot and issue to the Grantee the Shares in respect of which such Grantee has exercised his option not less than one(1) day before the date on which such resolution is to be considered and/or passed whereupon he shall accordingly be entitled, in respect of the Shares allotted and issued to him in the aforesaid manner, to participate in the distribution of the assets of our Company available in liquidation *pari passu* with the holders of the Shares in issue on the day prior to the date of such resolution. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up; and
- (v) if the Grantee is a company wholly-owned by one or more Eligible Participants:
 - (aa) the provisions of paragraphs 5(d)(i), 5(d)(ii), 6(a)(iv) and 6(a)(v) shall apply to the Grantee and to the options granted to such Grantee, mutatis mutandis, as if such options had been granted to the relevant Eligible Participant, and such options shall accordingly lapse or fall to be exercisable after the event(s) referred to in paragraphs 5(d)(i), 5(d)(ii), 6(a)(iv) and 6(a)(v) shall occur with respect to the relevant Eligible Participant; and
 - (bb) the options granted to the Grantee shall lapse and determine on the date the Grantee ceases to be wholly-owned by the relevant Eligible Participant provided that our Directors may in their absolute discretion decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.
- (e) Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association for the time being in force and will rank *pari passu* in all respects with the then existing fully paid Shares in issue on the date on which the option is duly exercised or, if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members (the “**Exercise Date**”) and accordingly will entitle the holders thereof to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date thereof shall be before the Exercise Date. A Share allotted and issued upon the exercise of an option shall not carry voting rights until the name of the Grantee has been duly entered on the register of members of our Company as the holder thereof.

6. Early termination of Option Period

- (a) The Option Period in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall lapse on the earliest of:
- (i) the expiry of the Option Period;
 - (ii) the expiry of any of the periods referred to in paragraph 5(d);
 - (iii) the date of commencement of the winding-up of our Company;
 - (iv) in respect of a Grantee who is an Eligible Employee, the date on which the Grantee ceases to be an Eligible Employee by reason of a termination of his employment on the grounds that he has been guilty of persistent or serious misconduct, or has committed any act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the Grantee or our Group or the Invested Entity into disrepute);
 - (v) in respect of a Grantee other than an Eligible Employee, the date on which our Directors shall at their absolute discretion determine that (aa)(1) such Grantee or his associate has committed any breach of any contract entered into between such Grantee or his associate on the one part and our Group or any Invested Entity on the other part; or (2) such Grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) such Grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by any other reason whatsoever; and (bb) the Option shall lapse as a result of any event specified in sub-paragraph (1), (2) or (3) above; and
 - (vi) the date on which our Directors shall exercise our Company's right to cancel the option by reason of a breach of paragraph 5(a) by the Grantee in respect of that or any other option.
- (b) A resolution of our Directors to the effect that the employment of a Grantee has been terminated on one or more of the grounds specified in paragraph 6(a)(iv) or that any event referred to in paragraph 6(a)(v)(aa) has occurred shall be conclusive and binding on all persons who may be affected thereby.
- (c) Transfer of employment of a Grantee who is an Eligible Employee from one member of our Group to another member of our Group shall not be considered a cessation of employment. It shall not be considered a cessation of employment if a Grantee who is an Eligible Employee is placed on such leave of absence which is considered by our Directors of the relevant member of our Group not to be a cessation of employment of the Grantee.

7. Maximum number of Shares available for subscription

- (a) The maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by our Group shall not exceed 30% of the share capital of our Company in issue from time to time. No options may be granted under the Share Option Scheme or any other share option scheme adopted by our Group if the grant of such option will result in the limit referred to in this paragraph 7(a) being exceeded.
- (b) The total number of Shares which may be allotted and issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of our Group) to be granted under the Share Option Scheme and any other share option scheme of our Group must not in aggregate exceed 10% of the Shares in issue at the time dealings in the Shares first commence on the Stock Exchange, i.e. 60,000,000 Shares (without taking into account the Shares (if any) which may be allotted and issued pursuant to the exercise of the Over-allotment Option) (the “**General Scheme Limit**”) provided that:
- (i) subject to paragraph 7(a) and without prejudice to paragraph 7(b)(ii), our Company may seek approval of the Shareholders in general meeting to refresh the General Scheme Limit provided that the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of our Group must not exceed 10% of the Shares in issue as at the date of approval of the limit and for the purpose of calculating the limit, options (including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of our Group) previously granted under the Share Option Scheme and any other share option scheme of our Group will not be counted; and
 - (ii) subject to paragraph 7(a) and without prejudice to paragraph 7(b)(i), our Company may seek separate Shareholders’ approval in general meeting to grant options under the Share Option Scheme beyond the General Scheme Limit or, if applicable, the extended limit referred to in paragraph 7(b)(i) to Eligible Participants specifically identified by our Company before such approval is sought.
- (c) Subject to paragraph 7(d), the total number of Shares allotted and issued and which may fall to be allotted and issued upon exercise of the options and the options granted under any other share option scheme of our Group (including both exercised or outstanding options) to each Grantee in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being. Where any further grant of options to a Grantee under the Share Option Scheme would result in the Shares allotted and issued and to be allotted and issued upon exercise of all options granted and proposed to be granted to such person (including exercised, cancelled and outstanding options) under the Share Option Scheme and any other share option schemes of our Group in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Grantee and his close associates (or his associates if such Grantee is a connected person (as defined in the Listing Rules)) abstaining from voting.

(d) Without prejudice to paragraph 3(b), where any grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates, would result in the Shares allotted and issued and to be allotted and issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares at the offer date of each offer, in excess of HK\$5 million;

such further grant of options must be approved by the Shareholders in general meeting.

(e) For the purpose of seeking the approval of the Shareholders under paragraphs 7(b), 7(c) and 7(d), our Company must send a circular to the Shareholders containing the information required under the Listing Rules and where the Listing Rules shall so require, the vote at the Shareholders' meeting convened to obtain the requisite approval shall be taken on a poll with those persons required under the Listing Rules abstaining from voting.

8. Adjustments to the Subscription Price

(a) In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation or sub-division of the Shares, or reduction of the share capital of our Company, then, in any such case our Company shall instruct the auditors or an independent financial adviser to certify in writing the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular Grantee, to:

- (i) the number or nominal amount of Shares to which the Share Option Scheme or any option(s) relates (insofar as it is/they are unexercised); and/or
- (ii) the Subscription Price of any option; and/or
- (iii) (unless the relevant Grantee elects to waive such adjustment) the number of Shares comprised in an option or which remain comprised in an option,

and an adjustment as so certified by the auditors or such independent financial adviser shall be made, provided that:

- (aa) any such adjustment shall give the Grantee the same proportion of the issued share capital of our Company for which such Grantee would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustment;
- (bb) no such adjustment shall be made the effect of which would be to enable a Share to be allotted and issued at less than its nominal value;

(cc) the issue of Shares or other securities of our Group as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and

(dd) any such adjustment shall be made in compliance with such rules, codes and guidance notes of the Stock Exchange from time to time.

In respect of any adjustment referred to in this paragraph 8(a), other than any adjustment made on a capitalisation issue, the auditors or such independent financial adviser must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

- (b) If there has been any alteration in the capital structure of our Company as referred to in paragraph 8(a), our Company shall, upon receipt of a notice from a Grantee in accordance with paragraph 5(c), inform the Grantee of such alteration and shall either inform the Grantee of the adjustment to be made in accordance with the certificate of the auditors or the independent financial adviser obtained by our Company for such purpose or, if no such certificate has yet been obtained, inform the Grantee of such fact and instruct the auditors or the independent financial adviser as soon as practicable thereafter to issue a certificate in that regard in accordance with paragraph 8(a).
- (c) In giving any certificate under this paragraph 8, the auditors or the independent financial adviser appointed under paragraph 8(a) shall be deemed to be acting as experts and not as arbitrators and their certificate shall, in the absence of manifest error, be final, conclusive and binding on our Company and all persons who may be affected thereby.

9. Cancellation of options

- (a) Subject to paragraph 5(a) and Chapter 17 of the Listing Rules, any option granted but not exercised may not be cancelled except with the prior written consent of the relevant grantee and the approval of our Directors.
- (b) Where our Company cancels any option granted to a Grantee but not exercised and issues new option(s) to the same Grantee, the issue of such new option(s) may only be made with available unissued options (excluding, for this purpose, the options so cancelled) within the General Scheme Limit or the limits approved by the Shareholders pursuant to paragraph 7(b)(i) or 7(b)(ii).

10. Share capital

The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company. Subject thereto, our Directors shall make available sufficient authorised but unissued share capital of our Company to allot and issue the Shares on the exercise of any option.

11. Disputes

Any dispute arising in connection with the number of Shares the subject of an option, or any adjustment under paragraph 8(a) shall be referred to the decision of the auditors who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final, conclusive and binding on all persons who may be affected thereby.

12. Alteration of the Share Option Scheme

- (a) Subject to paragraphs 12(b) and 12(d), the Share Option Scheme may be altered in any respect by a resolution of our Directors except that:
- (i) the provisions of the Share Option Scheme as to the definitions of “Eligible Participants”, “Grantee”, “Option Period” and “Termination Date”; and
 - (ii) the provisions of the Share Option Scheme relating to the matters governed by Rule 17.03 of the Listing Rules;

shall not be altered to the advantage of Grantees or prospective Grantees except with the prior sanction of a resolution of the Shareholders in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Grantees as would be required of the Shareholders under the Articles of Association for a variation of the rights attached to the Shares.

- (b) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted shall be approved by the Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (c) Any change to the authority of our Directors or the administrators of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting.
- (d) The amended terms of the Share Option Scheme and/or any options amended pursuant to this paragraph 12 must comply with the applicable requirements of the Listing Rules.

13. Termination

Our Company by resolution in general meeting may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options (to the extent not already exercised) granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may be issued upon the exercise of the options granted under the Share Option Scheme, being 60,000,000 Shares in total. As at the date of this prospectus, no option had been granted by our Company under the Share Option Scheme.

E. OTHER INFORMATION

1. Estate duty, tax and other indemnity

Laos International, WHM Holdings, Mr. Lao and Mrs. Lao (collectively the “**Indemnifiers**”) have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the material contract referred to in paragraph headed “Summary of material contracts” of this appendix) to provide indemnities on a joint and several basis in respect of, among other matters, any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong)) to any member of our Group on or before the date on which the Global Offering becomes unconditional. Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of the subsidiaries in the Cayman Islands and BVI.

Under the Deed of Indemnity, the Indemnifiers have also given indemnities to our Group on a joint and several basis in relation to taxation (which includes estate duty) in whatever part of the world which might be payable by any member of our Group in respect of among other matters any income, profits, gains, accrued or received or property received as a result of a transfer by any person on or before the date on which the Global Offering becomes unconditional.

The Deed of Indemnity does not cover any claim and the Indemnifiers shall be under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision has been made for such taxation in the audited consolidated accounts of members of our Group for each of the years ended 31 December 2014, 2015, 2016 and 2017 and the five months ended 31 May 2018 (the “**Accounts**”);

- (b) to the extent that such taxation claim arises or is incurred as a consequence of any retrospective change in the law or regulations or practice by the Hong Kong Inland Revenue Department, or the tax authority in Macau, or any other tax or government authorities (whether in Hong Kong or Macau or in any part of the world) coming into force after the date of the Deed of Indemnity or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the date of the Deed of Indemnity with retrospective effect;
- (c) to the extent that the liability for such taxation is caused by the act or omission of, or transaction voluntarily effected by, any member of our Group which is carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the date on which the Global Offering becomes unconditional;
- (d) to the extent that such taxation or liability would not have arisen but for any act or omission by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) voluntarily effected without the prior written consent or agreement of the Indemnifiers, otherwise than in the ordinary course of business after the date hereof or carried out, made or entered into pursuant to a legally binding commitment created before the date on which the Global Offering becomes unconditional; or
- (e) to the extent of any provision or reserve made for such taxation in the Accounts which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' 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 pursuant to this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

2. Litigation

As at the Latest Practicable Date, save as disclosed the paragraph headed "Business — Litigation, arbitration and potent claims" in this prospectus, to the best of our Directors' knowledge, there was no current litigation or any pending or threatened litigation or arbitration proceedings against any member of our Group that could have a material adverse effect on our Group's financial conditions or results of operations.

3. Sole Sponsor

The Sole Sponsor has, on behalf of our Company, made an application to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned herein and any Shares which may be issued upon the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

The Sole Sponsor's fees payable by our Company are approximately HK\$5,000,000.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately US\$4,300 and are payable by our Company.

5. Promoter

- (a) Our Company does not have any promoter.
- (b) Within the two years immediately preceding the date of this prospectus, no amount or benefit has been paid or given to any promoter of our Company in connection with the Global Offering or the related transactions described in this prospectus.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualifications
Southwest HK Capital	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO
C & C Lawyers	Legal advisers as to Macau law
Appleby	Legal advisers as to Cayman Islands law
Deloitte Touche Tohmatsu	Certified public accountants
Frost & Sullivan International Limited	Independent market research consultant
BDO Financial Services Limited	Internal control consultant
Savills (Macau) Limited	Property valuer

7. Consents of experts

Each of the experts referred to in the paragraph headed “E. Other information — 6. Qualifications of experts” in this Appendix has given and has not withdrawn its/his written consent to the issue of this document with the inclusion of its report and/or letters and/or valuation reports and/or legal opinion (as the case may be) and the references to their name included herein in the form and context in which they are respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) so far as applicable.

9. Taxation of holders of Shares**(a) *Hong Kong***

Dealings in Shares registered on our Company’s Hong Kong register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *The Cayman Islands*

Under present Companies Law, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty, as long as our Company does not hold any interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Global Offering would accept responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares or exercising any rights attaching to them.

10. Miscellaneous

Save as disclosed herein:

- (a) within the two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or any of its subsidiaries has been issued, agree to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
 - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries;
 - (iii) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any Shares; and
 - (iv) no founder, management or deferred shares of our Company have been issued or agreed to be issued.
- (b) no share, warrant or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
- (c) our Directors confirm that, up to the Latest Practicable Date, there has been no material adverse change in the financial or trading position or prospects of our Group since 1 July 2017, being the date on which the latest audited financial information of our Group was reported in the Accountants' Report set out in Appendix I to this prospectus; and
- (d) our Directors confirm that there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus.

11. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (a) copies of the Application Forms; (b) the written consents referred to in the paragraph headed “Statutory and General Information — E. Other information — 6. Qualifications of experts” in Appendix V to this prospectus; and (c) copies of the material contracts referred to in the paragraph headed “Statutory and General Information — B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Stephenson Harwood at 18th Floor, United Centre, 95 Queensway, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report of our Group dated the date of this prospectus prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the audited financial statements of the companies comprising our Group for the years ended 31 December 2014, 2015, 2016, 2017 and for the five months ended 31 May 2018;
- (d) the report on unaudited pro forma financial information prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this prospectus;
- (e) the property valuation report prepared by Savills (Macau) Limited, the text of which is set out in Appendix III to this prospectus;
- (f) the legal opinion prepared by C & C Lawyers as to certain aspects of Macau law relating to the general matters of our Group;
- (g) the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix IV to this prospectus;
- (h) the Companies Law;
- (i) the Frost & Sullivan Report;
- (j) the report prepared by BDO Financial Services Limited relating to certain aspects of internal control procedures of our Group;

- (k) the material contracts referred to in the paragraph headed “B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix V to this prospectus;
- (l) the service agreements and appointment letters referred to in the paragraph headed “Statutory and General Information — C. Disclosure of interest — 3. Particulars of service agreements and appointment letters” in Appendix V to this prospectus;
- (m) the rules of the Share Option Scheme; and
- (n) the written consents referred to in the paragraph headed “Statutory and General Information — E. Other information — 6. Qualifications of experts” in Appendix V to this prospectus.

AB BUILDERS GROUP LIMITED
奧邦建築集團有限公司