The Stock Exchange of Hong Kong Limited and the Securities and Futures Commission take no responsibility for the contents of this Post Hearing Information Pack, 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 Post Hearing Information Pack.

Post Hearing Information Pack ("PHIP") of

SEM Holdings Limited
澳達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

WARNING

The publication of this PHIP is required by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Securities and Futures Commission (the "Commission") solely for the purpose of providing information to the public in Hong Kong.

This PHIP is in draft form. The information contained in it is incomplete and is subject to change which can be material. By viewing this document, you acknowledge, accept and agree with SEM Holdings Limited (the "Company"), its sole sponsor, advisers and members of the underwriting syndicate that:

(a) this document is only for the purpose of providing information about the Company to the public in Hong Kong and not for any other purposes. No investment decision should be based on the information contained in this document;

(b) the publication of this document or any supplemental, revised or replacement pages on the Stock Exchange's website does not give rise to any obligation of the Company, its sole sponsor, advisers or members of the underwriting syndicate to proceed with an offering in Hong Kong or any other jurisdiction. There is no assurance that the Company will proceed with any offering;

(c) the contents of this document or supplemental, revised or replacement pages may or may not be replicated in full or in part in the actual final listing document;

(d) this PHIP is not the final listing document and may be updated or revised by the Company from time to time in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

(e) this document does not constitute a prospectus, offering circular, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any securities, nor is it calculated to invite offers by the public to subscribe for or purchase any securities;

(f) this document must not be regarded as an inducement to subscribe for or purchase any securities, and no such inducement is intended;

(g) neither the Company nor any of its affiliates, sole sponsor, advisers or members of its underwriting syndicate is offering, or is soliciting offers to buy, any securities in any jurisdiction through the publication of this document;

(h) no application for the securities mentioned in this document should be made by any person nor would such application be accepted;

(i) the Company has not and will not register the securities referred to in this document under the United States Securities Act of 1933, as amended, or any state securities laws of the United States;

(j) as there may be legal restrictions on the distribution of this document or dissemination of any information contained in this document, you agree to inform yourself about and observe any such restrictions applicable to you; and

(k) the application to which this document relates has not been approved for listing and the Stock Exchange and the Commission may accept, return or reject the application for the subject public offering and/or listing.

If an offer or an invitation is made to the public in Hong Kong in due course, prospective investors are reminded to make their investment decisions solely based on the Company's prospectus registered with the Registrar of Companies in Hong Kong, copies of which will be distributed to the public during the offer period.

IMPORTANT

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

SEM Holdings Limited
澳達控股有限公司

(incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to [REDACTED] and the [REDACTED])**
[REDACTED]	**:**	**Not more than HK$[REDACTED] per [REDACTED] and expected to be not less than HK$[REDACTED] per [REDACTED], plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal value	**:**	**HK$0.01 per Share**
[REDACTED]	**:**	**[REDACTED]**

Sponsor

AmCap

Ample Capital Limited

豐盛融資有限公司

Ample Capital Limited

[REDACTED]

[REDACTED] *and* [REDACTED]

[REDACTED]

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 the document, 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 the document.

A copy of the document, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix VI to the document, 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 as to the contents of the document or any other documents referred to above.

The [REDACTED] is expected to be determined by agreement between our Company and [REDACTED] (for themselves and on behalf of the [REDACTED]) on or around the [REDACTED]. The [REDACTED] will be not more than HK$[REDACTED] per [REDACTED] and is expected to be not less than HK$[REDACTED] per [REDACTED], unless otherwise announced.

[REDACTED] (for themselves and on behalf of the **[REDACTED]**) may, with our Company's consent, reduce the indicative **[REDACTED]** stated in the document and/or the number of **[REDACTED]** being offered at any time on or prior to the morning of the last day for lodging applications under the **[REDACTED]**. In such case, a notice of the reduction of the indicative **[REDACTED]** and/or the number of **[REDACTED]** will be published on the website of the Stock Exchange at **www.hkexnews.hk** and our website at **semhld.com** not later than the morning of the last day for lodging applications under the **[REDACTED]**. Further details are set out in the sections headed "Structure and Conditions of the **[REDACTED]**" and "How to Apply for **[REDACTED]**" in the document.

If, for any reason, the **[REDACTED]** is not agreed between the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) and our Company on or around **[REDACTED]** and in any event no later than 5:00 p.m. on **[REDACTED]** or such later date as may be agreed by our Company and the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**), the **[REDACTED]** will not become unconditional and will lapse immediately.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in the document and the **[REDACTED]**, including the risk factors set out in the section headed "Risk Factors" in the document.

The obligations of the **[REDACTED]** under the **[REDACTED]** are subject to termination by the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) if certain grounds arise prior to 8:00 a.m. on the **[REDACTED]**. Such grounds are set out in the paragraph headed "**[REDACTED]** – **[REDACTED]** arrangements and expenses – **[REDACTED]** – Grounds for termination" in the document.

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

EXPECTED TIMETABLE

[REDACTED]

CONTENTS

IMPORTANT NOTICE TO INVESTORS

The document is issued by our Company, solely in connection with the **[REDACTED]** *and the* **[REDACTED]** *and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the* **[REDACTED]**. *The document may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a* **[REDACTED]** *of the* **[REDACTED]** *or the distribution of the document. The offering and sale of the* **[REDACTED]** *in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdiction pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. You should rely only on the information contained in the document and the* **[REDACTED]** *to make your investment decision. Our Company, the Sponsor, the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]** *and the* **[REDACTED]** *have not authorised anyone to provide you with information that is different from what is contained in the document. Any information or representation not included in the document must not be relied on by you as having been authorised by us, the Sponsor, the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *any of their respective directors, officers or representatives or any other person or party involved in the* **[REDACTED]**. *Information contained in our Company's website, at* ***semhld.com***, *does not form part of the document.*

Page

Expected Timetable i

Contents iv

Summary 1

Definitions 11

Glossary of Technical Terms 23

Forward-looking Statements 24

Risk Factors 26

Waivers from Strict Compliance with the Listing Rules and Exemption from Strict Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance 43

Information about this Document and the [REDACTED] 46

Directors and Parties Involved in the [REDACTED] 51

Corporate Information 57

CONTENTS

Page

Industry Overview 59

Regulatory Overview 76

History, Reorganisation and Group Structure 85

Business 95

Relationship with our Controlling Shareholders 187

Directors, Senior Management and Staff 195

Share Capital 216

Substantial Shareholders 220

Financial Information 221

Future Plans and [REDACTED] 270

[REDACTED] 297

Structure and Conditions of the [REDACTED] 308

How to Apply for [REDACTED] 317

Appendix I — Accountants' Report I-1

Appendix II — Unaudited Pro Forma Financial Information II-1

Appendix III — Profit Estimate III-1

Appendix IV — Summary of the Constitution of the Company and Cayman Islands Company Law IV-1

Appendix V — Statutory and General Information V-1

Appendix VI — Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection VI-1

This summary aims to give you an overview of the information contained in the document. As it is a summary, it does not contain all the information that may be important to you. You should read the whole document before you decide to invest in the **[REDACTED]**.

There are risks associated with any investment. Some of the particular risks in investing in the **[REDACTED]** *are set forth in the section headed "Risk Factors" in the document. You should read that section carefully before you decide to invest in the* **[REDACTED]**.

BUSINESS MODEL

Overview

Founded in 2006, we are an established E&M engineering works contractor in Macau with our focus on providing electrical-related E&M engineering works. During the Track Record Period, the scope of our E&M engineering works mainly consisted of supply, installation and maintenance of electrical system, for new and existing buildings in the projects of commercial and residential development, hotel development, casino development and hotel renovation in Macau. All our revenue was derived from Macau during the Track Record Period.

The following table sets forth the breakdown of our revenue attributable to the provision of E&M engineering works during the Track Record Period by property type:

	FY2016		FY2017		FY2018		7M2018		7M2019	
	MOP'000	*%*	*MOP'000*	*%*	*MOP'000*	*%*	*MOP'000* (unaudited)	*%*	*MOP'000*	*%*
Hotels and casino	101,747	72.9	116,707	56.1	89,960	48.6	60,431	51.0	77,665	70.6
Residential properties	1,320	0.9	1,067	0.5	4,350	2.4	168	0.1	6,648	6.0
Commercial properties	31,722	22.7	90,139	43.4	89,727	48.4	57,932	48.8	24,002	21.8
Others	4,897	3.5	–	–	1,192	0.6	112	0.1	1,729	1.6
Total	139,686	100.0	207,913	100.0	185,229	100.0	118,643	100.0	110,044	100.0

The following table sets forth the breakdown of our gross profit and gross profit margin attributable to the provision of E&M engineering works during the Track Record Period by property type:

	FY2016		FY2017		FY2018		7M2018		7M2019	
	Gross profit *MOP'000*	Gross profit margin *%*	Gross profit *MOP'000*	Gross profit margin *%*	Gross profit *MOP'000*	Gross profit margin *%*	Gross profit *MOP'000* (unaudited)	Gross profit margin *%*	Gross profit *MOP'000*	Gross profit margin *%*
Hotels and casino	25,498	25.1	32,042	27.5	30,123	33.5	16,399	27.1	22,894	29.5
Residential properties	232	17.6	215	20.2	1,120	25.7	47	28.1	1,976	29.7
Commercial properties	6,503	20.5	18,943	21.0	24,879	27.7	14,917	25.7	6,762	28.2
Others	1,558	31.8	Nil	Nil	219	18.3	23	20.6	388	22.4
Total	33,791		51,200		56,341		31,386		32,020	

The following table sets forth the breakdown of our revenue attributable to the provision of E&M engineering works during the Track Record Period by project nature:

	FY2016		FY2017		FY2018		7M2018		7M2019	
	MOP'000	*%*	*MOP'000*	*%*	*MOP'000*	*%*	*MOP'000* (unaudited)	*%*	*MOP'000*	*%*
Supply and installation	90,366	64.7	149,773	72.0	164,387	88.7	102,771	86.6	82,067	74.6
Maintenance	436	0.3	23	–	4,507	2.5	193	0.2	11,501	10.5
Supply, installation and maintenance	48,884	35.0	58,117	28.0	16,335	8.8	15,679	13.2	16,476	14.9
Total	139,686	100.0	207,913	100.0	185,229	100.0	118,643	100.0	110,044	100.0

The following table sets forth the breakdown of our gross profit and gross profit margin attributable to the provision of E&M engineering works during the Track Record Period by project nature:

	FY2016		FY2017		FY2018		7M2018		7M2019	
	Gross profit *MOP'000*	Gross profit margin %	Gross profit *MOP'000*	Gross profit margin %	Gross profit *MOP'000*	Gross profit margin %	Gross profit *MOP'000* (unaudited)	Gross profit margin %	Gross profit *MOP'000*	Gross profit margin %
Supply and installation	22,995	25.4	40,564	27.1	51,925	31.6	28,379	27.6	22,939	28.0
Maintenance	153	35.1	8	34.8	1,370	30.4	61	31.7	3,705	32.2
Supply, installation and maintenance	10,643	21.8	10,628	18.3	3,046	18.6	2,946	18.8	5,376	32.6
Total	33,791		51,200		56,341		31,386		32,020	

Revenue

The following table sets forth a breakdown of our Group's tender success rate and revenue by the latest contract sum of the projects (i.e. as revised due to variation and supplemental orders, as the case may be) during the Track Record Period:

	FY2016			FY2017			FY2018			7M2018			7M2019		
	%			%			%			%			%		
Tender success rate	16.7			27.8			37.4			29.5			40.4		
	No.	*MOP'000*	%	*No.*	*MOP'000*	%	*No.*	*MOP'000*	%	*No.*	*MOP'000*	%	*No.*	*MOP'000*	%
Revenue by project size															
Above MOP100 million	3	89,308	63.9	3	183,307	88.2	3	92,124	49.7	3	78,482	66.2	4	28,991	26.3
On or below MOP100 million and above MOP10 million	6	42,247	30.2	5	22,217	10.7	8	76,339	41.2	6	36,153	30.5	7	43,824	39.8
On or below MOP10 million and above MOP1 million	7	7,674	5.5	3	2,389	1.1	10	16,575	9.0	5	3,840	3.2	17	35,830	32.6
On or below MOP1 million	2	457	0.3	Nil	Nil	Nil	1	191	0.1	1	168	0.1	6	1,399	1.3
Total[(Note)]:	18	139,686	100.0	11	207,913	100.0	22	185,229	100.0	15	118,643	100.0	34	110,044	100.0

Note: The figures and percentages above may not add up to the total due to rounding.

For the three years ended 31 December 2018, our revenue increased from approximately MOP139.7 million in FY2016 to approximately MOP207.9 million in FY2017 and decreased to approximately MOP185.2 million in FY2018. In 2015 and 2016, our Group was awarded with certain project with a relatively larger scale in term of their latest contract sum of above MOP100 million, namely being Project P1, Project P2 and Project P3. In particular, Project P1 and Project P3 were hotel and casinos projects which were awarded to us that could be attributed to the Macau government's various promotional campaigns and policies to support tourism after the implementation of anti-corruption initiatives in 2015 by the Chinese central government which slowed down the development of the gaming and tourism sectors according to Frost & Sullivan. Having considered our limited capacity reserved for undertaking such large scale projects, we adopted a more conservative approach in our bidding process leading to a relatively lower tender success rate in FY2016, which generally increased throughout the Track Record Period as the larger scale projects were approaching their latter stage and releasing more of our capacity for us to resume our more pro-active approach and we started the bidding of boutique projects since FY2017. As a result, the number of projects awarded increased since FY2017. However, the fluctuation of our revenue was mainly attributed to their respective project progress of such larger scale projects which accounted for approximately 63.9%, 88.2% and 49.7%, respectively of our revenue for the three years ended 31 December 2018.

Our revenue decreased from approximately MOP118.6 million in 7M2018 to approximately MOP110.0 million in 7M2019, which was in line with the respective project progress of our larger scale projects which were close to their completion stage and partially netted off by the increase in revenue derived from the boutique projects which were newly awarded to us during 7M2019.

For details, please refer to the paragraph headed "Financial Information – Discussion and Analysis of Financial Performance of Our Group – Revenue" of the prospectus.

Gross profit and Gross profit margin

Our gross profit amounted to approximately MOP33.8 million, MOP51.2 million, MOP56.3 million, MOP31.4 million and MOP32.0 million for FY2016, FY2017, FY2018, 7M2018 and 7M2019. Our gross profit increased by approximately MOP17.4 million or 51.5% from approximately MOP33.8 million for FY2016 to approximately MOP51.2 million for FY2017. Such increase was mainly due to the increase in gross profit recorded from Project P1, Project P2 and Project P3.

We recorded gross profit margin for our provision of E&M engineering works of 24.2%, 24.6%, 30.4%, and 29.1% during the three years ended 31 December 2018 and the seven months ended 31 July 2019, respectively. The changes of our gross profit margin for the provision of E&M engineering works during the Track Record Period is mainly affected by (i) our supply and installation projects which recorded gross profit margin that is in line with the overall changes in our gross profit margin during the Track Record Period at approximately 25.4%, 27.1%, 31.6% and 28.0% and contributed approximately MOP23.0 million, MOP40.6 million, MOP51.9 million and MOP11.6 million of our gross profit during the Track Record Period; and (ii) our supply, installation and maintenance projects which decreased during the Track Record Period at approximately 21.8%, 18.3%, 18.6% and 32.6% and contributed approximately MOP10.6 million, MOP10.6 million, MOP3.0 million and MOP5.4 million of our gross profit during the Track Record Period.

For FY2016, FY2017 and FY2018, our gross profit margin for supply, installation and maintenance projects was generally lower than that of supply and installation projects and maintenance projects. For FY2016, FY2017 and FY2018, a significant portion of our gross profit from supply, installation and maintenance projects was contributed by Project P1, which had a relatively lower gross profit margin due to the relatively higher amount of subcontracting works incurred for such project as compared to certain of our supply and installation projects which had a relatively higher gross profit margin, such as Project P3 and Project P6. The higher gross profit margin for Project P3 was mainly due to (i) the variation works as a result of the alteration of the construction plan; and (ii) the larger number of imported labour quota allocated to us resulting reduction in the cost in engaging for subcontracting works for Project P3, while the higher gross profit margin for Project P6 was mainly due to our successful negotiation with our customer in view of a short completion time.

Our gross profit margin increased from approximately 24.6% for FY2017 to 30.4% for FY2018 which is mainly due to the combined effect of (i) the increase in our gross profit margin from supply and installation projects which contributed approximately MOP40.6 million of our gross profit in FY2017 and with a gross profit margin of approximately 27.1% and contributed approximately MOP51.9 million of our gross profit in FY2018 and with a gross profit margin of approximately 31.6%; and (ii) the increase in our gross profit margin from supply, installation and maintenance projects which contributed approximately MOP10.6 million of our gross profit in FY2017 and with a gross profit margin of approximately 18.3% and

contributed approximately MOP3.0 million of our gross profit in FY2018 and with a gross profit margin of approximately 18.6%.

Our gross profit remained stable of approximately MOP31.4 million for 7M2018 and approximately MOP32.0 million for 7M2019. The gross profit margin for our provision of E&M engineering works increased from approximately 26.5% for 7M2018 to approximately 29.1% for 7M2019. The increase was mainly attributable to the relatively higher gross profit margin recorded for (i) supply installation and maintenance projects which was higher than that of supply and installation projects and maintenance projects which was mainly driven by Project P1 which contributed approximately MOP4.8 million of our gross profit for 7M2019 and were at their latter stage and approaching practical completion, of which the cost in engaging for subcontracting works was relatively lower and therefore a relatively higher gross profit margin is recorded for such project; and (ii) Project P3 which contributed approximately MOP5.6 million of our gross profit for 7M2019 which was due to the variation work agreed with Customer B during mid 2018 as mentioned above where the gross profit from such variation works had a relatively greater contribution to the gross profit for 7M2019 as compared to 7M2018.

Our Projects

We provided our E&M engineering works in Macau through Ready System (Macau) which has registered with the DSSOPT as a registered contractor for execution of construction works (實施工程), and were generally engaged as a subcontractor or sub-subcontractor.

During the Track Record Period, while our projects were at various scales, major part of our revenue was attributable to the large scale projects, i.e. Projects P1 to P10. Approximately 77.1%, 94.5%, 85.2% and 56.6% of our revenue in FY2016, FY2017, FY2018 and 7M2019 were attributable to our projects each with recognised revenue of more than MOP10 million (MOP6 million for 7M2019) to us for the same periods, respectively. The initial contract sum of each of Projects P1 to P9 is over MOP10 million and in particular, the initial contract sum of each of Projects P1 and P2 is over MOP100 million. For further information of Projects P1 to P10, please refer to the paragraph headed "Business – Our projects" in the document.

During the Track Record Period, nearly all our E&M engineering works were provided for private sector projects, while we had only five public sector projects, with their revenue recognised in FY2016, FY2018 and 7M2019 at approximately MOP4.9 million, MOP255,000 and MOP367,000, respectively.

For details, please refer to the paragraph headed "Financial Information – Discussion and Analysis of Finance Performance of Our Group – Gross profit and gross profit margin".

During the Track Record Period, we had completed 30 projects. As at 31 July 2019, we had 20 on-going projects (either in progress or yet to commence). After 31 July 2019 and up to the Latest Practicable Date, we had completed two further projects and five new projects had been awarded. As at the Latest Practicable Date, we had 23 on-going projects (either in progress or yet to commence). These on-going projects are expected to be completed by FY2021. Our Directors expect that these on-going projects will contribute revenue to us of approximately MOP85.1 million for the remaining five months ending 31 December 2019, approximately MOP157.9 million in FY2020 and approximately MOP74.2 million in FY2021.

During the Track Record Period, we secured new businesses through direct invitation to submit quotation/tender by our customers. Whether it was by way of quotation or tender, it is a matter of form chosen by our customers, and nevertheless involved similar operation procedures. There is no assurance that our customers will award us projects for every quotation/tender we submit. We must face competitors.

Projects backlog

The following table sets forth the movement of our projects backlog during the Track Record Period:

	FY2016	FY2017	FY2018	7M2019	After Track Record Period and up to the Latest Practicable Date (unaudited)
Opening number of projects backlog	14	13	12	20	20
Opening value of projects backlog *(MOP'000)*	356,551	328,502	140,571	53,409	225,798
Number of new projects (including variation orders) awarded to us	4	2	13	17	5
Total value of new projects (including variation orders) awarded to us *(MOP'000)*	111,636	19,982	98,067	282,433	93,226
Number of projects completed	5	3	5	17	2
Revenue recognised *(MOP'000)*	139,686	207,913	185,229	110,044	88,081
Closing number of projects backlog	13	12	20	20	23
Closing value of projects backlog *(MOP'000)*	328,502	140,571	53,409	225,798	230,943

Customers

During the Track Record Period, our customers were generally the main contractors or the E&M engineering works subcontractors in the relevant development and renovation projects in Macau. In FY2016, FY2017, FY2018 and 7M2019, our top five customers were Independent Third Parties, and total revenue attributable to them amounted to approximately MOP133.3 million, MOP207.4 million, MOP174.8 million and MOP102.4 million, representing approximately 95.4%, 99.7%, 94.4% and 93.0% of our total revenue, respectively. For further details of customers, please refer to the section headed "Business – Our customers" in the document.

Suppliers

Our suppliers during the Track Record Period generally included suppliers of electrical parts and components such as cable containments, distribution boards, light fittings and wire accessories. In FY2016, FY2017, FY2018 and 7M2019, save and except for Ready Electrical Metal Work Limited and Shun Tat M&E Equipment Limited, our top five suppliers were Independent Third Parties, and our total purchase attributable to our top five suppliers amounted to approximately MOP30.5 million, MOP45.7 million, MOP37.2 million and MOP10.8 million, representing approximately 78.3%, 73.2%, 69.9% and 74.4% of our total purchase, respectively. For further details of suppliers, please refer to the section headed "Business – Our suppliers" in the document.

Subcontractors and imported workers

During the Track Record Period, we engaged our subcontractors to carry out those relatively more labour intensive installation works or works required specific skill sets, as well as to provide general labour support. In FY2016, FY2017, FY2018 and 7M2019, our top five subcontractors were Independent Third Parties, and our cost in engaging our top five subcontractors amounted to approximately MOP55.1 million, MOP82.8 million, MOP57.4 million and MOP51.5 million, representing approximately 86.2%, 90.9%, 79.6% and 82.9% of our total subcontracting costs, respectively. For further details of our subcontractors, please refer to the section headed "Business – Our subcontractors" in the document.

We will also select and nominate imported workers from the PRC from our internal approved list of imported workers to our customers and/or the main contractors for the allocation of the imported labour quota. Upon the acceptance of our customers and/or the main contractors, they will employ those imported workers and apply to the relevant Macau authority for them as the imported labour, and then delegate them to work for us for the relevant projects, while we shall bear all the relevant cost incurred such as their salaries and insurance expenses, which is recognised as our subcontracting cost.

Therefore, during the Track Record Period, a majority of our subcontractors was also our customers and a majority of subcontracting cost was attributable to the engagement of these imported workers from the PRC. For further details, please refer to the paragraph headed "Business – Our subcontractors – Imported workers" in the document.

All these imported workers and our subcontractors are under supervision of and management by our project team.

Operation flow

The operation flow of our typical E&M engineering works project generally starts from (i) quotation/tender submission and acceptance; (ii) project implementation (which comprises (a) forming project team; (b) preparing and submitting, among others, working drawing and detailed work programme; (c) engaging imported workers and subcontractors; (d) procuring electrical parts and components and renting machines and equipment; and (e) satisfying performance bond requirements); (iii) installation, testing and commissioning; and (iv) defect liability period.

Actual duration of our projects, which refer to the period from date of commencement as stated in the contract to the date of practical completion certificate, generally in average ranging from three months to 24 months, are affected by a wide range of factors, including but not limited to project scale, technical complexity, conditions of the site, input of machineries and labour, expectation of our customers and amount of variation orders, while the defect liability period generally lasts for 12 to 24 months.

Once we are awarded with a project, we will form a project team from our full-time employees which normally comprises a project manager, site supervisor and engineer (for details of our full-time employees, please refer to the paragraph headed "Our employees" in this section). The size of our project team depends on the complexity and scale of the project, and any additional requirements requested by our customer. During the Track Record Period and up to the Latest Practicable Date, we had completed 32 projects. As at the Latest Practicable Date, we had 23 on-going projects (either in progress or yet to commence). For these projects, our project teams are responsible for the overall supervision of the works quality and progress of works and ensuring that our works are completed according to schedule, while the labour intensive installation works and works required specific skill

sets are carried out by our imported workers and/or our subcontractors, both of them are under supervision of and management by our project teams. As at the Latest Practicable Date, we had 24 full-time employees. In order to manage our projects which were all located in Macau during the Track Record Period, we adopted the following management measures: (i) 12 full-time employees responsible for engineering, construction site supervision and safety were stationed in Macau full-time; (ii) three full-time employees in Hong Kong (with two of them are the members of our senior management) have been allocated imported labour quota by the relevant customers and/or main contractors and obtained working permits issued by the relevant Macau authority such that they can work in the construction sites in Macau; and (iii) our project teams shall regularly report to our executive Directors the project progress and status.

Competitive landscape of the E&M engineering industry in Macau

According to the Frost & Sullivan Report, proven track record, extensive experience combined with deep industry knowledge and expertise, sound reputation and sufficient capital flow are the major entry barriers in the E&M engineering industry in Macau. As estimated, there are more than 200 E&M contractors in Macau in 2018 and the E&M engineering industry in Macau is highly fragmented with the top five players contributing approximately 13.3% of revenue generated by E&M engineering services in 2018.

In addition, the market conditions of the E&M engineering industry in Macau are influenced by various factors, including but not limited to: (i) development of the new urban zone; (ii) redevelopment of hospitality facilities; (iii) rising awareness of emergency repair; (iv) upgrading of public amenities and enhanced traffic management; (v) surging demand from the construction of smart city; and (vi) the rise in living standards and technological advancement.

Financial performance and ranking

In FY2016, FY2017, FY2018 and 7M2019, our revenue amounted to approximately MOP139.7 million, MOP207.9 million, MOP185.2 million and MOP110.0 million, respectively. According to the Frost & Sullivan Report, our revenue attributable to E&M engineering works in Macau in FY2018 represented approximately 1.6% of the total revenue generated from the entire E&M engineering industry in 2018 in Macau, and ranked fifth among the E&M engineering works contractors in Macau in terms of share of total industry revenue in 2018.

Quotations/tenders success rates

Based on our internal records, in FY2016, FY2017, FY2018 and 7M2019, we submitted 12, 36, 99 and 57 quotations/tenders to our customers (excluding quotations in relation to variation orders), respectively and had been awarded two, ten, 37 and 23 projects, so that our quotations/tenders success rates were approximately 16.7%, 27.8%, 37.4% and 40.4%, respectively. As at the Latest Practicable Date, we had submitted 77 quotations/tenders but pending result of whether they will be awarded, and the total contract sum of them was approximately MOP548.3 million. For further information, please refer to the paragraph headed "Business – Business model and our operation – Quotation/tender submission and acceptance" in the document.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our continued success and potential for growth:

- We are an established E&M engineering works contractor in Macau.
- We have established relationships with our top five customers, top five suppliers and top five subcontractors.
- We have an experienced and dedicated management team.

BUSINESS STRATEGIES

Our objective is to achieve sustainable growth in our business in Macau by implementing the business strategies of (i) strengthening our financial position to undertake more sizeable E&M engineering projects; (ii) establishing an E&M maintenance department; and (iii) strengthening our manpower. For further details of our business strategies, please refer to the paragraph headed "Future plans and **[REDACTED]** – Business strategies" in the document.

FUTURE PLANS AND [REDACTED]

We estimate that the aggregate **[REDACTED]** from the **[REDACTED]**, after deducting **[REDACTED]** and estimated expenses paid and payable by us in connection with the **[REDACTED]** and assuming that the **[REDACTED]** is not exercised at all, to be approximately HK$**[REDACTED]** (equivalent to approximately MOP**[REDACTED]**), assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the proposed **[REDACTED]** of HK$**[REDACTED]** to HK$**[REDACTED]** per **[REDACTED]**. We intend to apply the **[REDACTED]** from the **[REDACTED]** as follows:

- Approximately MOP**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**) or approximately **[REDACTED]**% of the **[REDACTED]** will be used for upfront cost of our projects including (i) purchase or deposit for materials such as cables, electrical parts and components; (ii) fees payable to the subcontractors (including the imported workers); and (iii) recruitment of direct labour (if necessary).

- Approximately MOP**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**) or approximately **[REDACTED]**% of the **[REDACTED]** will be used for obtaining performance bonds for new E&M engineering projects from new and/or existing customers.
- Approximately MOP**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**) or approximately **[REDACTED]**% of the **[REDACTED]** will be used for establishing an E&M maintenance department within one year after **[REDACTED]**, which comprises (i) approximately MOP**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**) as payment for acquiring machines and equipment; (ii) approximately MOP**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**) as payment for inventories of electrical parts and components; (iii) approximately MOP**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**) as down payment for acquiring a workshop; (iv) approximately MOP**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**) as stamp duty for acquiring a workshop; and (v) approximately MOP**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**) as refurbishment cost of a workshop.
- Approximately MOP**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**) or approximately **[REDACTED]**% of the **[REDACTED]** will be used for strengthening our manpower within one year after **[REDACTED]** to handle the growing number of sizeable E&M engineering projects to be undertaken after strengthening our financial position with the **[REDACTED]** of the **[REDACTED]**, which comprises (i) approximately MOP**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**) for recruiting ten additional full-time staff, including one project manager, one assistant project manager, three engineers, one safety officer, three foremen and one quantity surveyor; and (ii) approximately MOP**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**) for renting extra staff quarters for our additional full-time staff.
- Approximately MOP**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**) or approximately **[REDACTED]**% of the **[REDACTED]** will be used for strengthening our manpower within one year after **[REDACTED]** to work in the E&M maintenance department to be established with the **[REDACTED]** of the **[REDACTED]**, which comprises (i) approximately MOP**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**) for recruiting six additional full-time staff, including one project manager, two engineers and three foremen; and (ii) approximately MOP**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**) for renting extra staff quarters for our additional full-time staff.
- Approximately MOP**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**) or approximately **[REDACTED]**% of the **[REDACTED]** will be used for working capital and other general corporate purposes.

For further details on our future plans and **[REDACTED]**, please refer to the section headed "Future plans and **[REDACTED]**" in the document.

SELECTED KEY OPERATIONAL AND FINANCIAL DATA

The following table sets forth our key operational and financial data during the Track Record Period:

Highlight of our consolidated statements of profit or loss and other comprehensive income

	FY2016 *MOP'000*	**FY2017** *MOP'000*	**FY2018** *MOP'000*	**7M2018** *MOP'000* (unaudited)	**7M2019** *MOP'000*
Revenue	139,686	207,913	185,229	118,643	110,044
Gross profit	33,791	51,200	56,341	31,386	32,020
Profit before taxation	23,022	44,909	48,413	26,814	10,977
Profit and total comprehensive income for the year/period	19,259	38,899	41,486	23,116	7,314

Profit and total comprehensive income for the year/period

Our net profit for FY2017 increased by approximately MOP19.6 million or 102.0% from approximately MOP19.3 million for FY2016 to approximately MOP38.9 million for FY2017. Such increase was mainly due to (i) the increase in revenue generated for the reasons as described above; and (ii) the decrease in our **[REDACTED]**.

Our net profit for FY2018 increased by approximately MOP2.6 million or 6.7% from approximately MOP38.9 million for FY2017 to approximately MOP41.5 million for FY2018. Such increase was mainly due to the increase in our gross profit margin.

Our net profit for 7M2019 decreased by approximately MOP15.8 million or 68.4% from approximately MOP23.1 million for 7M2018 to approximately MOP7.3 million for 7M2019. Such decrease was mainly due to the combined effect of (i) the increase in our **[REDACTED]**; and (ii) the increase in our administrative expenses.

Highlight of our consolidated statements of financial position

	As at 31 December			As at 31 July
	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Non-current assets	4,279	23,579	15,374	16,059
Current assets	116,727	112,655	158,725	168,400
Current liabilities	56,326	32,655	42,959	45,565
Net current assets	60,401	80,000	115,766	122,835
Total equity (represented by capital and reserves)	64,680	103,579	131,140	138,454

The key components of our Group's current assets as at 31 July 2019 mainly consisted of (i) trade and other receivables; (ii) contract assets; (iii) pledged bank deposits; (iv) time deposit; and (v) bank balances and cash. The key components of our Group's current liabilities as at 31 July 2019 mainly consisted of (i) trade and other payables; (ii) contract liabilities; and (iii) taxation payable. Our net current assets, being the difference between total current assets and total current liabilities remained positive during the Track Record Period.

KEY FINANCIAL RATIOS

Highlight of our key financial ratio

	As at/ For the year ended 31 December			As at/ For the seven month ended 31 July
	2016	2017	2018	2019
Current ratio	2.1	3.4	3.7	3.7
Quick ratio	2.1	3.4	3.7	3.7
Return on total assets (%)	15.9	28.6	23.8	N/A
Return on equity (%)	29.8	37.6	31.6	N/A
Gross profit margin (%)	24.2	24.6	30.4	29.1
Net profit margin (%)	13.8	18.7	22.4	6.6

For further details, please refer to the section "Financial Information" in the document.

CASH FLOWS

	FY2016	FY2017	FY2018	7M2018	7M2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* (unaudited)	*MOP'000*
Operating cash flows before movements in working capital	24,009	46,487	49,856	27,597	12,352
Net cash from/(used in) operating activities	25,115	28,838	18,996	(7,300)	6,578
Net cash used in investing activities	(6,491)	(4,082)	(21,451)	(729)	(67)
Net cash from/(used in) financing activities	1,384	(3,173)	(15,658)	(1,499)	(4,932)

Cash flows used in operating activities

For 7M2018, we had net cash used in operating activities of approximately MOP7.3 million, primarily as a result of profit before taxation of approximately MOP26.8 million, and primarily combined with the following factors: negatively adjusted by (i) the increase in trade and other receivables of approximately MOP30.3 million which is mainly due to Customer A2 for Project P2 where a relatively large amount was billed to our customer in March 2018; and (ii) increase in net contract assets/liabilities of approximately MOP5.7 million mainly driven by the increase in E&M engineering works performed by us during 7M2018 for Project P3 and Project P6.

For further details, please refer to the section "Financial Information – Liquidity and capital resources – Cash flows – Net cash from/(used in) operating activities" in the document.

[REDACTED]

Our estimated **[REDACTED]** primarily consist of **[REDACTED]** in addition to professional fees paid to the Sponsor, legal advisers, the reporting accountants and other professional parties for their services rendered in relation to the **[REDACTED]**. Assuming the **[REDACTED]** is not exercised and assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of our indicative price range for the **[REDACTED]** stated in the document, the total **[REDACTED]** will be approximately MOP**[REDACTED]** (or approximately **[REDACTED]**% to the **[REDACTED]**), of which approximately MOP**[REDACTED]** is directly attributable to the **[REDACTED]** and will be accounted for as a deduction from our equity upon **[REDACTED]** and the amount of approximately MOP**[REDACTED]** was charged to our Company's profit or loss, of which approximately

MOP**[REDACTED]**, MOP**[REDACTED]**, MOP**[REDACTED]** and MOP**[REDACTED]** were charged to our Company's profit or loss for FY2016, FY2017, FY2018 and 7M2019, respectively and approximately MOP**[REDACTED]**, will be charged to profit or loss of our Company for the five months ended 31 December 2019 and FY2020. The estimated **[REDACTED]** are subject to adjustments based on the actual amount incurred or to be incurred.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2019

Our Directors estimate, on the bases set out in Appendix III to the document, certain profit estimate data of the Company for the year ended 31 December 2019 as follows:

Estimated combined profit attributable to owners of the Company	not less than MOP20.0 million
Unaudited pro forma estimated earnings per Share	not less than MOP1.33 cents

Our Directors have prepared the profit estimate based on the audited consolidated results of our Group for the seven months ended 31 July 2019, the unaudited consolidated results based on the management accounts of our Group for the four months ended 30 November 2019 and an estimate of the consolidated results of our Group for the remaining one month ended 31 December 2019. The profit estimate has been prepared on the basis of the accounting policies consistent in all material respects with those currently adopted by our Group as summarised in the Accountants' Report as set out in Appendix I to the document.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Based on our Group's unaudited management accounts made up to the period of four months ended 30 November 2019, the unaudited monthly revenue for the four months ended 30 November 2019 was higher than the monthly average revenue for FY2018, which was mainly attributable to revenue derived from Project P1, Project P9, Project P13, Project P14 and Project S19.

The indebtedness of our Group as at 30 November 2019, being the latest practicable date for determining the amount of indebtedness in the document, amounted to approximately MOP1.5 million. Further details of our Group's indebtedness statement as at 30 November 2019 are set out under the paragraph headed "Financial information – Indebtedness" in the document.

The Directors expected a decrease in our Group's net profit for the year ended 31 December 2019 compared to FY2018 due to an increase in the administrative expenses driven by the increase in the **[REDACTED]** and staff costs which are mainly due to the salary increment and bonus.

Save as such and for the **[REDACTED]**, of which approximately MOP**[REDACTED]** and MOP**[REDACTED]** were charged to our profit or loss for FY2018 and for 7M2019, respectively, and approximately MOP**[REDACTED]** which will be charged to our profit or loss for the five months ended 31 December 2019 and FY2020, which would in turn adversely impact our Group's financial results for the year ended 31 December 2019 and FY2020, our Directors confirm that up to the date of the document, there has been no other material adverse change in our financial or trading position or prospects of our Group since 31 July 2019 (being the date to which the latest audited consolidated financial statements of our Group were prepared), and there is no event since 31 July 2019 which would materially affect the information shown in the Accountants' Report set out in Appendix I to the document.

STATISTICS OF THE [REDACTED]

	Based on the minimum [REDACTED] of HK$[REDACTED] per [REDACTED]	**Based on the maximum [REDACTED] of HK$[REDACTED] per [REDACTED]**
Market Capitalisation *(Note 1)*	HK$**[REDACTED]**	HK$**[REDACTED]**
Unaudited pro forma adjusted consolidated net tangible assets per Share *(Note 2)*	MOP**[REDACTED]**	MOP**[REDACTED]**

Notes:

1. The calculation of market capitalisation is based on the **[REDACTED]** Shares in issue assuming that the **[REDACTED]** and the **[REDACTED]** had been completed on 31 July 2019 and does not take into account of any Shares which may be allotted and issued pursuant to the exercise of options which may be granted under the Share Option Scheme, any Shares which may be allotted and issued upon the exercise of the **[REDACTED]** or any Shares which may be issued or repurchased by our Company's general mandates.
2. The unaudited pro forma adjusted consolidated net tangible assets per Share has been arrived at with reference to certain bases and assumptions. Please refer to Appendix II to the document for further details.

OUR SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the **[REDACTED]** and the **[REDACTED]** without taking into account of any Shares which may be allotted and issued upon the exercise of the **[REDACTED]** or any option which may be granted under the Share Option Scheme, our Company will be owned as to 75% by SEM Enterprises, which is owned as to 74.08% by Mr. MK Wan, 23.04% by Mr. CW Wun and 2.88% by Mr. Yu. For the purposes of the Listing Rules, Mr. MK Wan, Mr. CW Wun, Mr. Yu and SEM Enterprises are a group of our Controlling Shareholders.

DIVIDENDS

During the Track Record Period, no dividend has been declared or paid by our Group. We do not have a fixed dividend payout ratio and do not intend to determine any expected dividend payout ratio since our priority is to use our earnings for business development and expansion in the interest of our Shareholders as a whole. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future. The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and, after **[REDACTED]**, any declaration of final dividend for the year will be subject to the approval of our Shareholders.

Please refer to the section "Financial Information" in the document on the details of our dividend policy.

RISK FACTORS

Potential investors are advised to carefully read the section headed "Risk factors" in the document before making any investment decision in the **[REDACTED]**. Some of the more particular risk factors include:

- We derived a significant portion of our revenue from our top five customers (in particular Customers A and B) and the significant number of projects awarded by and revenue derived from Customers A and B during the Track Record Period may not be indicative of the number of projects to be awarded to us and amount of revenue we could derive from in the future.
- Our revenue is mainly derived from projects which are not recurring in nature and any significant decrease in the number of our projects would affect our operations and financial results.
- We determine our tender price or quotation based on the estimated time and cost to be involved in a project, yet the actual time and cost incurred may deviate from our estimate due to unexpected circumstances, thereby adversely affecting our operations and financial results.
- Our contracts generally have provisional items of works and our customers may cancel certain contract works by variation orders resulting in the total contract sum of that project reduced, which would adversely affect our operations and financial results.
- We may be exposed to delays and/or defaults of progress payments and/or retention monies by our customers which would adversely affect our cash flows or financial results.
- We may occasionally be required by our customers to arrange performance bonds to secure our due performance of contracts, which may adversely affect our cash flows and financial position.
- If the numbers of imported labour quota allocated to us is insufficient, we may need to employ appropriate number of suitable local workers in Macau and/or engage subcontractors, thereby adversely affecting our profit margin and financial results.

In the document, unless the context otherwise requires, the following terms shall have the meanings set forth below. Certain technical terms are explained in the section headed "Glossary of Technical Terms" in the document.

"7M2018"	the seven months ended 31 July 2018
"7M2019"	the seven months ended 31 July 2019
"**[REDACTED]**"	**[REDACTED]**, **[REDACTED]** and **[REDACTED]**, or where the context so requires, any of them, relating to the **[REDACTED]**
"Articles of Association" or "Articles"	the articles of association of our Company, conditionally adopted on 22 January 2020 and effective upon the **[REDACTED]** and as amended from time to time, a summary of which is set forth in the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix IV to the document
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	our Board of Directors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are normally open for business
"BVI"	the British Virgin Islands
"**[REDACTED]**"	the issue of **[REDACTED]** Shares to be made upon capitalisation of part of the amount standing to the credit of our share premium account as referred to in the paragraph headed "Statutory and General Information – A. Further information about our Company – 3. Written resolutions of the sole Shareholder passed on 22 January 2020" in Appendix V to the document
"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 a general clearing participant

"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant or a CCASS Custodian Participant or a CCASS Investor Participant
"Chairman"	the Chairman of our Board, Mr. MK Wan
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"**[REDACTED]**"	**[REDACTED]**
"Companies Law"	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Companies Registry"	the Companies Registry of Hong Kong
"Company"	SEM Holdings Limited (澳達控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 6 November 2015 and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 5 February 2016
"Competition Ordinance"	the Competition Ordinance (Chapter 619 of the Laws of Hong Kong), as amended, supplemented and otherwise modified from time to time
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules

"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Controlling Shareholder(s)"	has the meaning ascribed to it thereto under the Listing Rules and refers to the controlling shareholders of our Company immediately after the **[REDACTED]** and **[REDACTED]**, being Mr. MK Wan, Mr. CW Wun, Mr. Yu and SEM Enterprises
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Customer A1"	Chinney Timwill Construction (Macau) Company Limited
"Customer A2"	Shun Cheong Building Services (Macau) Limited
"Customer B"	Wah Shing Engineering (Macau) Limited
"Deed of Indemnity"	the deed of indemnity dated 22 January 2020 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries) regarding certain indemnities, details of which are set out in the paragraph headed "Statutory and General Information – E. Other information – 1. Tax and other indemnity" in Appendix V to the document
"Deed of Non-competition"	the deed of non-competition dated 22 January 2020 executed by our Controlling Shareholders in favour of our Company (for ourselves and as trustee for our subsidiaries) regarding non-competition undertakings, details of which are set out in the paragraph headed "Relationship with our Controlling Shareholders – Non-competition undertakings from our Controlling Shareholders" in the document
"Director(s)"	the director(s) of our Company
"DSSOPT"	The Land, Public Works and Transport Bureau of Macau
"Frost & Sullivan"	Frost & Sullivan Limited, an Independent Third Party, being a professional market research company
"Frost & Sullivan Report"	the commissioned report on the market overview and competitive analysis for the E&M engineering industry in Macau compiled by Frost & Sullivan, the content of which is quoted in the document

"FY2016"	the financial year ended 31 December 2016
"FY2017"	the financial year ended 31 December 2017
"FY2018"	the financial year ended 31 December 2018
"FY2019"	the financial year ended 31 December 2019
"FY2020"	the financial year ending 31 December 2020
"FY2021"	the financial year ending 31 December 2021
"**[REDACTED]**"	**[REDACTED]**
"Group", "our Group", "we", "our" or "us"	our Company and its subsidiaries at the relevant time or, where the context refers to any time prior to our Company becoming the holding company of our present subsidiaries, such subsidiaries and the business carried on by such subsidiaries or (as the case maybe) our predecessors, and "we", "our" or "us" shall be construed accordingly
"**[REDACTED]**"	the application process for **[REDACTED]** with applications issued in the applicant's own name and submitted online through the designated website of **[REDACTED]** or in the **[REDACTED]**
"**[REDACTED]**"	the **[REDACTED]** designated by our Company, as specified on the designated website at **[REDACTED]** or in the **[REDACTED]**
"HKFRSs"	Hong Kong Financial Reporting Standards
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of PRC
"Hong Kong Branch Share Registrar"	**[REDACTED]**, our Hong Kong branch share registrar and transfer office
"Hong Kong dollar(s)" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Directors, chief executive or substantial shareholders of our Company, our subsidiaries or any of their respective associates
"**[REDACTED]**"	the mobile application for **[REDACTED]** service which can be downloaded by searching "**[REDACTED]**" in App store or Google Play or downloaded at **[REDACTED]** or **[REDACTED]**
"Issuing Mandate"	the unconditional mandate granted to our Directors to allot and issue Shares pursuant to the resolutions set forth in the paragraph headed "Statutory and General Information – A. Further information about our Company – 3. Written resolutions of the sole Shareholder passed on 22 January 2020" in Appendix V to the document
"**[REDACTED]**"	**[REDACTED]**
"**[REDACTED]**" or "**[REDACTED]**"	**[REDACTED]**
"Latest Practicable Date"	21 January 2020, being the latest practicable date prior to the printing of the document for ascertaining certain information in the document
"**[REDACTED]**"	the **[REDACTED]** of the Shares on the Main Board
"Listing Committee"	the Listing Committee of the Stock Exchange
"**[REDACTED]**"	the date expected to be on or about **[REDACTED]**, on which our Shares are **[REDACTED]** and from which dealings in our Shares commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Macau"	the Macau Special Administrative Region of PRC
"Macau Government"	the Government of Macau

"Main Board"	the stock exchange (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Memorandum of Association" or "Memorandum"	the memorandum of association of our Company, as amended, supplemented or otherwise modified from time to time
"Metro Linkage"	Metro Linkage Limited (城通有限公司), a company incorporated in the BVI with limited liability on 18 January 2016 and owned as to 73% by Mr. MK Wan, 24% by Mr. CW Wun and 3% by Mr. Yu
"MOP"	Macau patacas, the lawful currency of Macau
"Mr. CW Wun"	Mr. Wun Chi Wai (尹志偉), being our executive Director and a Controlling Shareholder
"Mr. MK Wan"	Mr. Wan Man Keung (尹民強), being our Chairman, non-executive Director and a Controlling Shareholder
"Mr. Woo"	Mr. Woo Chu Fai (胡柱輝), being our executive Director and chief executive officer
"Mr. Yu"	Mr. Yu Chi Kwan (俞志軍), being our executive Director and a Controlling Shareholder
"Mrs. Kan"	Mrs. Kan Wan Wai Yee Mavis (簡尹慧兒), being our non-executive Director
"**[REDACTED]**"	the final price per **[REDACTED]** in Hong Kong dollars (exclusive of brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which the **[REDACTED]** are to be subscribed for or purchased pursuant to the **[REDACTED]**, to be determined in the manner further described in the paragraph headed "Structure and conditions of the **[REDACTED]** – Determining the **[REDACTED]**" in the document
"**[REDACTED]**"	the **[REDACTED]** and the **[REDACTED]**

"**[REDACTED]**"	the option expected to be granted by our Company to the **[REDACTED]** exercisable by the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**), pursuant to which our Company may be required to allot and issue up to an aggregate of **[REDACTED]** additional **[REDACTED]**, representing **[REDACTED]**% the number of **[REDACTED]** initially available under the **[REDACTED]** at the **[REDACTED]**, at the **[REDACTED]**, to cover over-allocations in the **[REDACTED]** and/or to satisfy the obligation of the Stabilising Managers to return securities borrowed under the **[REDACTED]** subject to the terms of the **[REDACTED]**
"**[REDACTED]**"	the conditional **[REDACTED]** of the **[REDACTED]** by the **[REDACTED]** at the **[REDACTED]** to selected professional, institutional and private investors as set forth in the section headed "Structure and conditions of the **[REDACTED]**" in the document
"**[REDACTED]**"	the **[REDACTED]** Shares at the **[REDACTED]** pursuant to the **[REDACTED]**, subject to **[REDACTED]** and the **[REDACTED]** as described in the section headed "Structure and conditions of the **[REDACTED]**" in the document
"**[REDACTED]**"	the **[REDACTED]** of the **[REDACTED]**, who are expected to enter into the **[REDACTED]** to **[REDACTED]** the **[REDACTED]**
"**[REDACTED]**"	the conditional **[REDACTED]** relating to the **[REDACTED]** expected to be entered into on or about the **[REDACTED]** by, among others, our Company and the **[REDACTED]**, particulars of which are summarised in the section headed "**[REDACTED]**" in the document
"PRC" or "China"	the People's Republic of China and, except where the context otherwise requires and for the purpose of the document only, does not include Hong Kong, Macau and Taiwan
"Predecessor Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014

"**[REDACTED]**"	the agreement expected to be entered into between our Company and the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**) on or around the **[REDACTED]** to record the agreement on the final **[REDACTED]**
"**[REDACTED]**"	the date, expected to be on or around **[REDACTED]**, on which the final **[REDACTED]** is to be fixed for the purpose of the **[REDACTED]**, but in any event no later than 5:00 p.m. on **[REDACTED]** or such later date as may be agreed by our Company and the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**)
"**[REDACTED]**"	the offer of the **[REDACTED]** for subscription by the public in Hong Kong for cash at the **[REDACTED]** (plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), payable in full on application, and subject to the terms and conditions described in the document and the **[REDACTED]**
"**[REDACTED]**"	**[REDACTED]** Shares being **[REDACTED]** by us for subscription pursuant to the **[REDACTED]**, subject to **[REDACTED]** as described in the section headed "Structure and conditions of the **[REDACTED]**" in the document
"**[REDACTED]**"	the **[REDACTED]** of the **[REDACTED]** whose names are set forth in the paragraph headed "**[REDACTED]** – **[REDACTED]** – **[REDACTED]**" in the document
"**[REDACTED]**"	the conditional **[REDACTED]** dated 30 January 2020 relating to the **[REDACTED]** entered into by, among others, our Company and the **[REDACTED]**, particulars of which are summarised in the section headed "**[REDACTED]**" in the document
"Ready Engineering"	Ready Engineering Limited (全達工程有限公司), a company incorporated in Hong Kong with limited liability on 18 December 1987, which is owned as to 99% by Metro Linkage, 0.73% by Mr. MK Wan, 0.24% by Mr. CW Wun and 0.03% by Mr. Yu

"Ready System Engineering"	Ready System Engineering Limited (全達系統工程有限公司), a company incorporated in Hong Kong with limited liability on 23 July 1991, which was beneficially owned as to 5% by Mr. MK Wan and 95% by an Independent Third Party as at the Latest Practicable Date
"Ready System (Macau)"	Ready System Engineering Limited (全達系統工程有限公司) (formerly known as Ready Engineering (Macau) Limited (全達工程(澳門)有限公司)), a company incorporated in Macau with limited liability on 15 May 2006 and an indirect wholly-owned subsidiary of our Company
"REM Group (Holdings)"	REM Group (Holdings) Limited (全達電器集團(控股)有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 15 March 2017, the shares of which are listed on the Stock Exchange (stock code: 1750), REM Group (Holdings) and its subsidiaries principally engaged in manufacturing and supply of low-voltage electrical power distribution and control devices
"Reorganisation"	the reorganisation we have undergone in preparation for the **[REDACTED]** of Shares on the Stock Exchange which are more particularly described in the paragraph headed "History, Reorganisation and Group Structure – Reorganisation" in the document
"**[REDACTED]**"	the general unconditional mandate to **[REDACTED]** given to our Directors by our Shareholders, particulars of which are set forth in the paragraph headed "Statutory and General Information – A. Further information about our Company – 3. Written resolutions of the sole Shareholder passed on 22 January 2020" in Appendix V to the document
"Restricted Business"	the business currently and from time to time engaged by our Group (including but not limited to E&M engineering works in Hong Kong, Macau and the PRC)
"RMB" or "Renminbi"	renminbi, the lawful currency of the PRC
"SEM Development"	SEM Development Limited, a company incorporated in the BVI with limited liability on 2 October 2015 and an indirect wholly-owned subsidiary of our Company

"SEM Enterprises"	SEM Enterprises Limited, a company incorporated in the BVI with limited liability on 2 October 2015, a Controlling Shareholder, and is directly owned as to 74.08% by Mr. MK Wan, 23.04% by Mr. CW Wun and 2.88% by Mr. Yu.
"SEM Investments"	SEM Investments Limited, a company incorporated in the BVI with limited liability on 2 October 2015 and a direct wholly-owned subsidiary of our Company
"SEM Resources"	SEM Resources Limited, a company incorporated in Hong Kong with limited liability on 5 November 2015 and an indirect wholly-owned subsidiary of our Company
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company with a nominal value of HK$0.01 each
"**[REDACTED]**"	the **[REDACTED]** and the **[REDACTED]**
"Share Option Scheme"	the share option scheme our Company conditionally adopted on 22 January 2020, the principal terms of which are summarised in the paragraph headed "Statutory and General Information – D. Share Option Scheme" in Appendix V to the document
"Shareholder(s)"	holder(s) of Shares
"Shun Tat M&E Equipment"	Shun Tat M&E Equipment Limited (順達機電設備有限公司), a company incorporated in Hong Kong with limited liability on 17 May 2012 and owned as to 40% by Ready Engineering and 60% by an Independent Third Party
"Sponsor"	Ample Capital Limited, a licensed corporation registered under the SFO to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO
"Stabilising Manager(s)"	**[REDACTED]**

"**[REDACTED]**"	**[REDACTED]**
"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
"SZ Jianda"	深圳市建達機電設備有限公司 (Shenzhen Jianda Electrical Equipment Limited*), a company incorporated in the PRC with limited liability on 3 April 2001 and owned as to 95% (indirectly) by our Controlling Shareholders and 5% by an Independent Third Party
"SZ Jianda Construction"	深圳市建達建築工程有限公司 (Shenzhen Jianda Construction Company Limited*), a company incorporated in the PRC with limited liability on 3 January 2003 and owned as to 75% (indirectly) by our Controlling Shareholders and 25% by two Independent Third Parties
"Takeovers Code"	the Codes on Takeovers and Mergers and Share Buybacks issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	FY2016, FY2017, FY2018 and 7M2019
"U.S. dollar(s)" or "US$"	United States dollars, the lawful currency of the United States
"**[REDACTED]**"	**[REDACTED]**
"**[REDACTED]**"	**[REDACTED]**
"United States" or "U.S."	the United States of America
"**[REDACTED]**"	**[REDACTED]**

"**[REDACTED]**"	**[REDACTED]**

Certain amounts and percentage figures included in the document have been subject to rounding adjustments. Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancy in any table between totals and sums of individual amounts listed in any table are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

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

If there is any inconsistency between the official Chinese name of the PRC entities mentioned in the document and their English translation, the Chinese version shall prevail. English translations of official Chinese names and English or Chinese translations which are marked with "" are for identification purposes only.*

GLOSSARY OF TECHNICAL TERMS

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

"CAGR"	compound annual growth rate
"E&M engineering"	electrical and mechanical engineering
"GDP"	gross domestic product
"sq. ft."	square foot (feet)
"sq. m."	square meter
"%"	per cent

FORWARD-LOOKING STATEMENTS

The document contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in the document, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in the document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to the following:

- our Group's business prospects;
- our Group's contracts on hand;
- future developments, trends and conditions in the industry and markets in which we operate;
- our Group's business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which our Group operates;
- changes to the regulatory environment and general outlook in the industry and markets in which our Group operates;
- the effects of the global financial markets and economic crisis;
- our Group's financial position;
- our Group's ability to reduce costs;
- our Group's dividend;
- our Group's profit estimate and other prospective financial information;
- the amount and nature of, and potential for, future development of our Group's business;
- various business opportunities that our Group may pursue;

- capital market developments;
- our Group's ability to source raw materials;
- fluctuation in the prices of raw materials and our Group's ability to pass-through any increases in price to customers;
- our Group's ability to protect our Group's intellectual property rights;
- our Group's ability to hire and retain talented employees;
- the actions and developments of our competitors and our Group's ability to compete under these actions and developments;
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends; and
- other factors beyond our Group's control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in the document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in the document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in the document are qualified by reference to the cautionary statements in this section.

In the document, statements of or references to our intentions or those of our Directors are made as of the date of the document. Any such information may change in light of future developments.

Potential investors should consider carefully all the information presented in the document and, in particular, should consider the following risks and specific considerations in connection with an investment in our Company before making any investment decision in relation to the **[REDACTED]**. *If any of the possible events described below materialises, our business, financial position and prospects may be materially and adversely affected. Additional risks not currently known to us or that we now consider immaterial may also harm us and affect our investment value. The trading prices of our Shares could decline considerably due to the occurrence of any of such risks and investors may lose part or all of their investments.*

RISKS RELATING TO OUR BUSINESS

We derived a significant portion of our revenue from our top five customers (in particular Customers A and B) and the significant number of projects awarded by and revenue derived from Customers A and B during the Track Record Period may not be indicative of the number of projects to be awarded to us and amount of revenue we could derive from in the future

In FY2016, FY2017, FY2018 and 7M2019, our top five customers accounted for approximately 95.4%, 99.7%, 94.4% and 93.0% of our total revenue, respectively. In particular, Customer A accounted for approximately 45.4%, 70.8%, 35.5% and 34.8% of our total revenue, and Customer B accounted for approximately 33.8%, 18.6%, 25.5% and 35.5%, respectively. During the Track Record Period, we did not enter into any long term agreement or master service agreement with our customers and the projects were awarded to us on a project basis through the competitive bidding process.

In light of the above, we face the risks associated with having a concentration of customers (in particular Customers A and B). We cannot assure you that we will be able to retain Customers A or B or our major customers in the future. As such, the revenue we had derived from Customers A or B and our other major customers during the Track Record Period may not be indicative of the amount of revenue we could derive from them in the future. Our results of operations, profitability and liquidity may be materially and adversely affected if we are unable to secure new projects from Customers A or B or our major customers or fail to procure similar level of business from new customers on comparable commercial terms to offset the loss of revenue from Customers A or B or our major customers.

In addition, our business, financial condition and results of operations also depend on the financial condition and commercial success of our major customers (in particular Customers A and B). If any of our top five customers shall become unwilling or unable to make payments, we may be unable to recover significant amounts of trade receivables and our cash flow and financial position may be materially and adversely affected.

For further analysis on our sustainability, please refer to the paragraph headed "Business – Our customers – Sustainability of our business" in the document.

Our revenue is mainly derived from projects which are not recurring in nature and any significant decrease in the number of our projects would affect our operations and financial results

All of our revenue during the Track Record Period was principally derived from providing E&M engineering works in Macau, and our engagements with customers were on a project basis and non-recurring in nature. We did not enter into any long term agreement or master service agreement with our customers as at the Latest Practicable Date. After completion of the projects, our customers are not obliged to engage us again in subsequent projects. We have to undergo the competitive bidding process for every new project.

We cannot assure you that our existing customers will award new projects to us, nor can we guarantee that we would be able to maintain our business relationships with existing customers. In the event that we are unable to attract new customers or secure new projects from our existing customers, there may be a significant decrease in our revenue. Our operations and financial results would hence be adversely affected.

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

In FY2016, FY2017, FY2018 and 7M2019, (i) our revenue was approximately MOP139.7 million, MOP207.9 million, MOP185.2 million and MOP110.0 million, respectively; (ii) our profit and total comprehensive income was approximately MOP19.3 million, MOP38.9 million, MOP41.5 million and MOP7.3 million, respectively; and (iii) our gross profit was approximately MOP33.8 million, MOP51.2 million, MOP56.3 million and MOP32.0 million, respectively, whereas our gross profit margin for the same periods was approximately 24.2%, 24.6%, 30.4% and 29.1%, respectively. For discussions on our results of operations, please refer to the section headed "Financial Information" in the document.

There is an inherent risk in using such historical financial information of us to project or estimate our financial performance in the future, as they only reflect our past performance under particular conditions. We may not be able to sustain our historical growth rate, revenue and profit margin for various reasons, including but not limited to, deterioration in the market conditions of the E&M engineering industry in Macau, intensification of competition among E&M engineering works contractors, aggravation in labour shortage, and other unforeseen factors such as adverse weather conditions, which may delay the completion of our projects, reduce the number of projects awarded to us, and/or reduce the profit margin of our projects.

There is no assurance that we will be able to achieve the performance as we did during the Track Record Period. Investors should not solely rely on our historical financial information as an indication of our future financial or operating performance.

We depend on our suppliers for electrical equipment, materials and parts, and any shortage or delay of supply, or deterioration in the quality, of the same could materially and adversely affect our operations, and we may not be able to identify an alternative source of stable supply with acceptable quality and price

We rely on our suppliers for stable and timely delivery of quality electrical equipment, materials and parts. In FY2016, FY2017, FY2018 and 7M2019, our cost of materials amounted to approximately MOP37.4 million, MOP58.6 million, MOP47.9 million and MOP13.1 million, respectively representing approximately 35.3%, 37.4%, 37.2% and 16.7% of our total cost of sales, respectively.

If there is any shortage of electrical equipment, materials and parts, or material delay in delivery by our suppliers, we may fail to complete our projects on time or at all. As a result, we may be required to pay liquidated damages or other penalties to our customers. We cannot guarantee that we would be able to identify suitable alternative sources of supply with acceptable quality and price. Further, even if we could do so, there can be no assurance that we would not encounter similar problems with them in the future. In such event, our business reputation and financial results may be adversely affected.

If there is any deterioration in the quality of electrical equipment, materials and parts from our suppliers, and we are unable to identify suitable alternative sources, the progress and quality of our works could be materially and adversely affected, thereby damaging our business reputation and adversely affecting our financial results.

We may be involved in construction and/or labour disputes, legal and other proceedings arising from our operations from time to time and may face significant legal liabilities as a result

We may be involved in disputes with our customers, suppliers, subcontractors and other project parties from time to time in respect of various matters, including delay in completion of works, personal injury claims and complaints about the quality of completed works arising from daily operation.

Further, disputes may arise between us and our customer as to the value of works properly done in a particular period, and the progress payment that we are entitled to in the relevant period. Besides, our contracts generally include variation order clauses which empower our customers to give instructions to vary the contract works which we are generally obliged to follow. The value of such variations is generally ascertained with reference to the rates and prices specified in the contract for analogous work and/or the prevailing market rate. In the event we disagree with such valuation results, contractual disputes with our customers may arise.

There is no assurance that we may be able to resolve every instance of disputes by way of negotiation and/or mediation with relevant parties. If we fail to do so, it may lead to legal and other proceedings against us, and consequently we may have to incur huge expenditure in defending ourselves in such actions. If we fail to obtain favourable outcome in such proceedings, we may be liable to pay significant amount of damages which may adversely affect our operations and financial results.

We determine our tender price or quotation based on the estimated time and cost to be involved in a project, yet the actual time and cost incurred may deviate from our estimate due to unexpected circumstances, thereby adversely affecting our operations and financial results

We determine our tender price or quotation based on our cost estimate plus a certain mark-up margin. For details of the factors we take into account when making our cost estimate, please refer to the paragraph headed "Business – Sales and marketing – Pricing policy" in the document. The actual time and cost incurred by us, however, may be adversely affected for various factors, including but not limited to, unfavourable weather conditions, disputes with customers, suppliers, subcontractors and other project parties, insufficient allocation of imported labour quota to us, difficulties in retaining necessary number of workers with requisite skills, receipt of variation orders from our customers, unexpected fluctuations in the market price of electrical equipment, materials and parts after the commencement of project, and other unforeseen circumstances. Significant changes in any of these or other relevant factors may lead to delay in completion or cost overrun by us, and there is no assurance that the actual time and cost incurred by us would match our initial estimates. Such delays, cost overruns or mismatch of actual time and cost with our estimates may cause our profitability to be lower than what we expected or may expose us to litigation or claims from customers in case of delays.

If we set a significant mark-up margin upon our estimated cost to cater for the unfavourable circumstances above, our tender or quotation may become uncompetitive. There is no assurance that we will always be able to price our tender or quotation competitively, and if we fail to do so, our customers may opt for our competitors, thereby resulting in a decrease in the number of projects awarded to us. This would adversely affect our operations and financial results. Meanwhile, if the mark-up margin set by us is too low, we may not be able to cover the financial impact of any unfavourable circumstances during project implementation. Our profitability in the project would hence be materially and adversely affected.

Our contracts generally have provisional items of works and our customers may cancel certain contract works by variation orders resulting in the total contract sum of that project reduced, which would adversely affect our operations and financial results

Our contracts generally have provisional items of works. If the provisional items of works are not required during installation, and/or after re-measurement, the actual quantities required for such items of works are reduced, the relevant prices included in the contract sum shall be deducted accordingly.

Further, our contracts generally have variation order clauses which empower our customers to give instructions to vary the contract works which we are generally obliged to follow. Such variation orders could be addition, modification or cancellation of the contract works. For any contract works to be cancelled, the total contract sum of that project is to be deducted according to the rates and prices of such contract works as stated in the schedule of rates.

There is no assurance that there would not be any cancellation/reduction of contract works by our customers in the future and our customers may cancel/reduce the contract works in a material manner. If our customer cancels/reduces the contract works in a material manner, resulting in a significant reduction of the total contract sum of that particular project, our operations and financial results would be adversely affected.

We may be exposed to delays and/or defaults of progress payments and/or retention monies by our customers which would adversely affect our cash flows or financial results

In general, we do not receive any sums as prepayment from our customers. Nevertheless, during the commencement of our project, we have to incur various upfront cost, including but not limited to, (i) purchase cost or deposit of electrical equipment, materials and parts; (ii) remuneration to our direct labour; (iii) subcontracting cost (including the imported workers); and (iv) provision of performance bond to our customers. As such, we are subject to credit risks of our customers and our liquidity is dependent on our customers making prompt progress payments and release of retention monies due to us. For details of the mechanisms of the progress payment and retention money, please refer to the paragraph headed "Business – Our customers – Major contract terms with our customers" in the document.

As at 31 December 2018 and 31 July 2019, the trade receivables amounted to approximately MOP36.7 million and MOP38.2 million, respectively, representing an increase of approximately MOP1.5 million or 4.2%, whereas the respective trade receivables also accounted for approximately 23.1% and 22.7% of the total current assets respectively. In addition, the trade receivables' turnover days were approximately 72 days, 43 days, 46 days and 72 days in FY2016, FY2017, FY2018 and 7M2019, respectively. Our Group also had significant amount of long outstanding trade receivables aged over 90 days which were past due but not impaired for more than 90 days of approximately MOP5.1 million, MOP3.5 million, MOP1.9 million and MOP0.9 million as at 31 December 2016, 2017 and 2018 and 31 July 2019, respectively. For details of the fluctuations in our trade receivables from customers and trade receivables' turnover days and our aging analysis, please refer to the paragraph headed "Financial Information – Analysis of various items in the consolidated statements of financial position – Trade and other receivables" in the document. We cannot assure you that we will be able to recover all or any part of the amounts due from our customers or we will be able to collect all or any part of retention receivable from our customers within the agreed credit terms or at all.

Further, disputes may arise between us and our customer as to the value of work properly done in a particular period, and the progress payment that we are entitled to accordingly. There is also a possibility that we may take longer than the trade receivables' turnover days to collect payments. This will negatively affect our cash flows and financial performance.

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

The aggregate amount of revenue that we are able to derive from a project may be different from the initial contract sum due to factors such as variation orders (including alteration or modification of the design, quality or quantity of the works, addition, omission or substitution of any works, and alteration of the kind or standard of any of the materials or goods to be used for the works) required by our customers from time to time and the recoverability of contract assets taking into account the negotiation of the value of works we performed with our customers before the issuance of interim payment certificates. As such, there is no assurance that the amount of revenue derived from our projects on hand will not be substantially different from the initial contract sum as specified in the relevant contracts.

As at the Latest Practicable Date, we had 23 on-going projects (either in progress or yet to commence). Our Directors expect that these on-going projects will contribute revenue to us of approximately MOP85.1 million for the remaining five months ended 31 December 2019, approximately MOP157.9 million in FY2020 and approximately MOP74.2 million in FY2021. Due to the abovementioned reasons, our revenue generated from our business may fluctuate and we cannot assure you that we can maintain profitability of a project at any particular level. As such, our profit margin may fluctuate and our historical performance may not be indicative of our future performance.

Our cash flows may deteriorate due to potential mismatch in time between receipt of progress payments from our customers, and payments to our subcontractors and suppliers

We engage subcontractors from time to time. We also purchase various electrical equipment, materials and parts for installation. As such, we would record significant cash outflow in the event that we take up too many substantial projects at a particular period of time.

As at 31 December 2018 and 31 July 2019, the trade payables amounted to approximately MOP13.3 million and MOP22.3 million respectively, representing an increase of approximately MOP9.0 million or 68.0%, whereas the respective trade payables accounted for approximately 30.9% and 48.9% of the total current liabilities respectively. In addition, the trade payables turnover days were approximately 91 days, 64 days, 39 days and 48 days in FY2016, FY2017, FY2018 and 7M2019, respectively. For details of the fluctuations in our trade payables to our suppliers and the trade payables turnover days, please refer to the paragraph headed "Financial Information – Analysis of various items in the consolidated statements of financial position – Trade and other payables" in the document.

We rely on cash inflow from our customers to meet our payment obligations to our suppliers. Our cash inflow is dependent on prompt settlement of progress payments, and timely release of retention monies by our customers. Nevertheless, even if our customers settle such payments on time and in full, there can be no assurance that we would not experience any significant cash flow mismatch. Further, there can be no assurance that our cash flow

management measures could function properly or at all. If there were any significant and substantial cash flow mismatch, we might have to raise funds by resorting to internal resources and/or banking facilities in order to meet our payment obligations in full and on time.

We recorded net operating cash outflow for 7M2018

We recorded net cash used in operating activities of approximately MOP7.3 million for 7M2018. Please refer to the section headed "Financial Information – Liquidity and capital resources – Net cash from/(used in) operating activities" in the document for further information. We cannot guarantee that we will be able to generate positive cash flows from operating activities in the future. In particular, we cannot predict the amount and timing of receipts from our customers for our trade receivables. Negative operating cash flows may materially and adversely affect our liquidity and financial conditions, and hence may require us to obtain sufficient external financing to meet our financial needs and obligations. If we rely on external financing to generate additional cash, we will incur financing costs and we cannot assure you that we will be able to obtain external financing on terms acceptable to us, or at all.

We may occasionally be required by our customers to arrange performance bonds to secure our due performance of contracts, which may adversely affect our cash flows and financial position

We are occasionally required by our customers to arrange performance bonds at a fixed sum or in a certain percentage of the contract sum to secure due performance and compliance with the contracts. If we fail to comply with the requirements under the contracts, our customer is guaranteed the compensation for monetary loss up to the amount of the performance bonds. During the Track Record Period and up to the Latest Practicable Date, there were nine projects, namely Projects P1, P3, P4, P6, S1, S12, P13, P14 and P15, which had performance bond requirements. The aggregate value of the performance bond requirements for the nine projects was approximately MOP59.0 million.

The amounts paid up for the performance bonds may be locked up for a prolonged period of time, depending on contract period. Further, we cannot guarantee we will not undertake projects which have performance bonds requirements in the future, and if we fail to satisfactorily complete our works as required by our customers, the amount paid up for the performance bonds will not be released to us, which thereby may adversely affect our cash flows and financial position.

There is no guarantee that safety measures and procedures implemented at our construction sites could prevent the occurrence of industrial accidents of all kinds, which in turn might lead to claims in respect of employees' compensation, personal injuries, and/or property damage against us

We have adopted certain work safety measures and procedures for our direct labour and subcontractors' staff. For details, please refer to the paragraph headed "Business – Work safety" in the document. We rely on our staff to oversee the implementation of safety measures and

procedures, and we cannot guarantee that all of the safety measures and procedures are strictly adhered to at any time, nor can we assure you that our safety measures and procedures are sufficient to prevent the occurrence of industrial accidents of all kinds. If the safety measures and procedures implemented at our project sites are insufficient or not strictly adhered to, it may result in industrial accidents which would in turn lead to claims in respect of employees' compensation, personal injuries, fatal accidents, and/or property damage against us. These would result in significant financial loss, damages to our reputation in the E&M engineering industry, and adversely affect our financial conditions.

We rely on our Board members and senior management staff, and their departure would adversely affect our operations and financial results

The success of our business has been, and will continue to be, heavily dependent upon the continuing service of our executive Directors and senior management team. In particular, we rely on the expertise and experience of Mr. MK Wan, our founder, Chairman and non-executive Director, Mr. Woo, our executive Director and chief executive officer, Mr. Yu, our executive Director and senior project manager, and Mr. Wong Man Wai Thomas, our assistant project manager. They have been key members of our management team and playing a pivotal managerial role in areas such as overseeing our corporate strategy and operational management. If one or more of our executive Directors or members of senior management is/are unable or unwilling to continue in their present positions, we might not be able to identify suitable replacements in a timely manner, or at all. Our business may hence be severely disrupted and our financial condition and operating results may be materially and adversely affected.

We rely on our subcontractors to complete our contract works and there is no assurance that our subcontractors will always follow strictly all of our instructions. Any delay or defects in their works would adversely affect our operations and financial results

We engage subcontractors from time-to-time. In FY2016, FY2017, FY2018 and 7M2019, the total subcontracting costs amounted to approximately MOP63.9 million, MOP91.1 million, MOP72.2 million and MOP62.1 million, representing approximately 60.3%, 58.2%, 56.0% and 79.6% of our total cost of sales, respectively. For details of our arrangements with subcontractors, please refer to the paragraph headed "Business – Our subcontractors" in the document.

There is no assurance that our subcontractors will always follow strictly all of our instructions. If the subcontractors fail to carry out the works in accordance with our standards and specifications, we may experience delay in project completion, quality issues concerning the works done, or non-performance by subcontractors. Consequently, we may have to incur significant time and cost to carry out remedial actions, which would in turn adversely affect the profitability and reputation of our business, and result in litigation or damage claims against us.

In addition, our subcontractors may not always be readily available whenever we need to engage them. Notwithstanding our proven working relationship with our subcontractors, there is no assurance that we would be able to maintain such relationships in the future. As at the Latest

Practicable Date, we had not entered into any long term service agreement with our subcontractors. As such, they are not obliged to provide services to us in future projects on similar terms and conditions as they did in the past. We may have to offer remuneration higher than we anticipated in order to engage their service in the future. Further, there is no assurance that we would be able to find suitable alternative subcontractors that meet our project needs and requirements to complete the projects, which would in turn adversely affect our operations and financial results.

If our subcontractors violate any laws, rules or regulations in relation to health, environmental and safety matters, we may also be held liable for their violations, and be subject to claims for losses and damages if such violations result in any personal injuries and/or property damages. If any violation, whether substantial or minor in nature of any laws, rules or regulations occurred in the sites for which we are responsible, our operations and financial position would be adversely affected.

If the numbers of imported labour quota allocated to us is insufficient, we may need to employ appropriate number of suitable local workers in Macau and/or engage subcontractors, thereby adversely affecting our profit margin and financial results

In FY2016, FY2017 and FY2018, we did not have our own imported labour quota and had to utilise the imported labour quota of our customers of the relevant projects. In 7M2019, we have been granted two imported labour quota.

We selected and nominated suitable imported workers from our internal approved list of imported workers to our customers and/or the main contractors for the imported labour quota. Upon the acceptance of our customers and/or the main contractors, they will employ those imported workers and apply to the relevant Macau authority for them as the imported labour, and then delegate them to work for us for the relevant projects, while we shall bear all the relevant cost incurred such as their salaries and insurance expenses, which is recognised as our subcontracting cost.

Our nominated imported workers work for us on a project basis. Comparing to employment of a team of full-time local workers, our Directors are of the view that the engagement of imported workers on a project basis enables us to maintain flexibility. Further, since our imported workers are mainly with origins from the PRC, comparing with the local workers in Macau, cost in engaging our imported workers are relatively less. As such, our Directors consider that sufficient allocation of imported labour quota to us will be able to reduce our tendency of engaging local workers in Macau and therefore strengthens our profit margin.

For further details, please refer to the paragraph headed "Business – Our subcontractors – Imported workers" in the document.

Nevertheless, there is no guarantee that the numbers of imported labour quota requested by us will be fully satisfied by the relevant customers and/or main contractors. If the imported labour quota allocated to us is insufficient, we may need to employ appropriate number of

suitable local workers in Macau. As a result, our profit margin and financial results would be adversely affected.

Our works are labour intensive. If we or our subcontractors experience any shortage of labour, industrial actions, strikes or material increase in labour cost, our operations and financial results would be adversely affected

We rely on a stable workforce to carry out our works. In particular, we require a large number of E&M workers with various skills and expertise. According to the Frost & Sullivan Report, however, Macau has experienced a shortage of skilled labour and the problem of ageing workers in the E&M engineering industry resulting in the increasing trend of average daily wages of E&M workers in Macau from 2013 to 2018.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material shortage of labour, industrial actions, strikes or material increase in labour cost. Nevertheless, in view of the current situation in the labour market, we cannot assure you that we will not experience these problems in the future, and as a result, we would have to offer better remuneration packages and other benefits to attract and retain key personnel and skilled labour. There can be no assurance that we will possess sufficient resources for such purpose. If we cannot retain or recruit sufficient number of skilled workers to handle our projects in a timely manner, we may experience delay in project completion and our ability to handle future projects would in turn be significantly reduced.

We may be unable to attract and retain employees with the requisite skills, expertise and experience for our operation at a reasonable cost in a timely manner, which would adversely affect our operations, business growth and financial results

Being principally an E&M engineering works contractor, we rely on the skills, expertise and experience of our direct labour and imported workers to provide quality works services to our customers. Our direct labour and imported workers may terminate their employment with us and our subcontractors (as the case may be) prematurely and we may not be able to retain them. Experienced and skilled workers in the E&M engineering industry are highly sought after, and competition for talent is intense. In FY2016, FY2017, FY2018 and 7M2019, our staff cost amounted to approximately MOP0.9 million, MOP1.4 million, MOP1.0 million and MOP0.6 million, respectively, representing approximately 0.9%, 0.9%, 0.8% and 0.7% of our total cost of sales, respectively for the same periods, while our cost in engaging our imported workers amounted to approximately MOP17.6 million, MOP23.2 million, MOP27.9 million and MOP14.9 million, respectively, representing approximately 16.6%, 14.8%, 21.7% and 19.0% of our total cost of sales, respectively for the same periods.

If we experience any failure to attract and retain competent personnel or any material increase in direct labour cost and/or cost in engaging imported workers as a result of a shortage in the supply of skilled labour, our competitiveness and business would be damaged, thereby adversely affecting our financial condition and operating results. Further, if we fail to identify

suitable replacements for our departed staff, our business and operation could be adversely affected and our future growth and expansions may be inhibited.

There is no guarantee that we would not be subject to any claims in relation to defects of our works, which may result in further cost to make good the defects, and/or deduction of the retention monies to be released and/or claims from our customers against us

Being principally an E&M engineering works contractor, we may be subject to claims in relation to defects of our works. In general, our customers require us to provide a defect liability period, during which we will remain responsible for remedying any defects or imperfections discovered in relation to our works done. Such remedial actions may range from maintenance to minor repair works. In the event that substantive remedial actions were required, we might have to incur significant cost and time or be subject to claims from our customers against us. If we fail to make good the defects as required, our customers may not only reduce or forfeit the retention monies withheld from us, but they may also claim damages from us.

If we fail to complete our works on time or at all, we may be liable to our customers for breach of contract and be required to pay liquidated damages or other penalties

Our contracts generally set out the due date of the contract works. If we fail to complete the contract works by the due date, we may be required to pay liquidated damages to our customers pursuant to the contracts, unless they agree to grant us time extension to complete the remaining works.

There may be delay or disruption to our works due to unforeseen circumstances that are beyond our expectation or control, including but not limited to, unfavourable weather conditions, variation orders and/or other construction risks such as work injuries and disputes with customers, suppliers, subcontractors and other project parties.

As such, we cannot guarantee that we will be able to complete every project on time or at all, nor can we assure you that our customers would grant us sufficient time extensions in case of delay in completion. If we fail to complete projects on time, significant amount of liquidation damages or other penalties may be imposed upon us, which would in turn adversely affect our profitability and operating results.

Our insurance may not cover all potential loss and claims, and any uninsured losses incurred could be substantial and therefore adversely affect our operations and financial results

Our insurance may not fully cover all potential loss and claims arising from our operation. Typical claims such as accidents and personal injuries suffered by workers retained by us and our subcontractors are generally covered by the insurance policies maintained by the main contractors or the project employers. For details, please refer to the paragraph headed "Business – Insurance" in the document.

Nevertheless, we and/or our officers (as the case may be) may be exposed to claims in respect of matters that are not covered by any insurance policies we maintained. In addition, there may be circumstances (such as fraud, gross negligence, natural disasters and acts of God) in which certain loss and claims would not be covered adequately by the insurance policies we maintained, or at all.

In the event that we experience substantial loss, damages or claims arising from our operation at work sites which are not covered by the insurance policies, we may have to incur tremendous expenditure in making compensations, which would adversely affect our operating results and financial position.

With respect to loss and claims which are covered by our insurance policies, it may be a difficult and lengthy process to recover such losses from insurers. In addition, we may not be able to recover the full amount of such loss from the insurers. There can be no assurance that our policies would be sufficient to cover all potential loss, regardless of the cause, or that we can recover such losses from the insurers.

Our profitability may be affected by the potential increase in depreciation and amortisation expenses upon our planned acquisitions of additional machinery and equipment and a workshop, if our revenue fails to increase proportionately

It is part of our business strategies to establish an E&M maintenance department, which would involve using a portion of our **[REDACTED]** from the **[REDACTED]** to, among others, acquire (i) additional machinery and equipment and (ii) a workshop for the parking and regular maintenance of the machines and vehicles, as further discussed in the section headed "Future plans and **[REDACTED]** – **[REDACTED]** – Establishing an E&M maintenance department" in the document. As a result of the aforesaid planned acquisitions, it is expected that our Group will incur additional depreciation and amortisation expenses, which may therefore affect our financial performance and operating results. There is no assurance that we will secure more projects and increase our profitability after such planned acquisitions.

Should we be unable to obtain more projects and increase our profitability after such planned acquisitions, our business, financial positions and prospect may be adversely affected.

We may require additional capital in the future, which may not be available on favourable terms or at all

We may require additional funding due to changes in business conditions, expansion in our workforce or potential investments or acquisitions that we may pursue. To meet our capital needs, we may sell additional equity or debt securities or obtain additional credit facilities. The sale of additional equity securities could result in dilution of our Shareholder's holdings in our Company. The incurrence of further indebtedness would result in increased debt service obligations and could require us to agree to operating and financial covenants that would restrict our operations. Financing may not be available in amounts or on terms acceptable to us, if at all.

Any failure by us to raise additional funds on terms favourable to us, or at all, could limit our ability to expand our business operations and could harm our overall business prospects.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

Any deterioration in the prevailing market conditions in the E&M engineering industry may adversely affect our performance and financial condition

The number of projects awarded to us is highly dependent on the prevailing market conditions in the E&M engineering industry in Macau. The demand for our services is closely associated with the level of construction activities, especially those related to hotels and casinos development and maintenance. According to the Frost & Sullivan Report, the major growth in the E&M engineering industry in Macau in recent years is driven by the increase in number of hotel projects and the correspondent E&M engineering services required. There is no assurance that the hotels and casinos development in Macau will maintain the growth in future. If the hotels and casinos development in Macau slowdown in future due to the depression in the Macau gaming industry or otherwise, it may have a direct adverse impact on the market conditions of the E&M engineering industry in Macau, which would likely result in drop in the number of projects awarded to us and reduction in contract sum, thereby adversely affecting our performance and financial condition.

In addition, the market conditions of the E&M engineering industry in Macau are influenced by various factors, including but not limited to: (i) development of the new urban zone; (ii) redevelopment of hospitality facilities; (iii) rising awareness of emergency repair; (iv) upgrading of public amenities and enhanced traffic management; (v) surging demand from the construction of smart city; and (vi) the rise in living standards and technological advancement. If there is any significant deterioration in any of these factors, our operating results and financial conditions could be adversely affected.

We operate in a highly competitive market

The industry we operate is highly competitive, and there are a significant number of industry players that provide works services similar to ours. According to the Frost & Sullivan Report, as estimated, there were more than 200 E&M engineering contractors in Macau in 2018. Some of our competitors may have certain advantages, including stronger brand names, greater access to capital, longer operating history, longer and more established relationship with hotel and casinos developers, and greater marketing and other forms of resources. Further, new participants may enter the industry provided that they can break through the entry barriers such as proven track record, extensive experience combined with deep industry knowledge and expertise, sound reputation and sufficient capital flow.

In addition, the E&M engineering industry in Macau has a highly fragmented competitive landscape. The top five E&M engineering works contractors accounted for approximately 13.3% of the total revenue of the E&M engineering industry in Macau in 2018, which means that no few E&M engineering works contractors could dominate the E&M engineering industry in

Macau. If the competition among the E&M engineering works contractors intensifies, we may be under pressure to reduce our tender price or quotation, which would have an adverse impact on our project profitability and operating results. We cannot guarantee that we can effectively cope with the enhanced competition in the future or that we may maintain our leading position in the industry.

Changes in existing laws, regulations and Macau Government policies, including but not limited to the introduction of more stringent laws and regulations on environment protection and labour safety may cause us to incur substantial additional expenditure

Many aspects of our business operations are governed by various laws and regulations, and Macau Government policies. The requirements in respect of the granting and/or renewal of various licenses and qualifications in the E&M engineering industry may change from time to time, and we may not be able to respond to such changes in a timely manner. Such changes may also increase our costs and burden in complying with them, which may materially and adversely affect our business, financial condition and results of operations. For example, if there are any change to and/or imposition of the requirements for qualification in the E&M engineering industry in relation to environment protection and labour safety and we fail to meet the new requirements in a timely manner or at all, our business operations will be materially and adversely affected.

RISKS RELATING TO MACAU

The state of economy in Macau may adversely affect our performance and financial condition

All of our revenue during the Track Record Period was generated from Macau. If Macau experiences any adverse economic conditions due to events beyond our control, such as a local economic downturn, natural disasters, contagious disease outbreaks or terrorist attacks, or if the local authorities adopt regulations that place additional restrictions or burdens on us or on our industry in general, our overall business and results of operations may be materially and adversely affected.

The state of political environment in Macau may adversely affect our performance and financial condition

Macau is a special administrative region of the PRC and enjoys a high level of autonomy under the principle of "one country, two systems" according to the Basic Law of Macau. Nevertheless, we are not in any position to guarantee the implementation of the "one country, two systems" principle and the level of autonomy as currently in place at the moment. Since our operations are based in Macau, any change of such political arrangements may pose immediate threat to the stability of the economy in Macau, thereby directly and adversely affecting our results of operations and financial positions.

RISK RELATING TO THE SHARES AND THE [REDACTED]

There is no prior market for the Shares and the liquidity and market price and the trading volume of the Shares may be volatile

There is no public market for the Shares prior to the **[REDACTED]**. The **[REDACTED]** of, and the permission to deal in, the Shares on the Stock Exchange do not guarantee the development of an active public market or its sustainability following completion of the **[REDACTED]**. The market price and trading volume of the Shares can fluctuate depending on the following factors:

- variations in our Group's revenue, earnings and cash flows;
- acquisitions made by our Group or our competitors;
- industrial or environmental accidents suffered by our Group;
- loss of key personnel;
- litigation or fluctuations in the market price for the services provided or supplies required by our Group;
- the liquidity of the market for the Shares; and
- the general market sentiment regarding the E&M engineering industry in Macau.

Both the market price and liquidity of the Shares could be adversely affected by factors beyond our control and are unrelated to the performance of our business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the **[REDACTED]** or at all.

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

We may require additional funds due to changes in business conditions or other future developments relating to our existing operations. If additional funds are raised by way of issuance of new Shares or equity linked securities other than on a pro rata basis to existing Shareholders, the shareholding of existing Shareholders may be reduced. Such new securities issued may also confer rights and privileges that take priority over those conferred by the **[REDACTED]**.

Any disposal by our Controlling Shareholders of a substantial number of Shares in the public market could materially and adversely affect the market price of the Shares

There is no guarantee that our Controlling Shareholders will not dispose of their Shares following the expiration of the respective lock-up periods after the **[REDACTED]**. We cannot predict the effect, if any, of any future sales of the Shares by any of our Controlling

Shareholders, or that the availability of the Shares for sale by any of our Controlling Shareholders may have on the market price of the Shares. Sale of a substantial number of Shares by any of our Controlling Shareholders or the market perception that any such sale may occur could materially and adversely affect the prevailing market price of the Shares.

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

Any decision to declare and pay any dividends would require the recommendations of our Board and approval of our Shareholders. Any decision to pay dividends will be made having regard to factors such as the results of operation, financial condition and position, and other factors deemed relevant. Any distributable profits that are not distributed in any given year may be retained and be made available for distribution in subsequent years. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operation. There can be no assurance that we will be able to declare or distribute any dividend. Our future declarations of dividends will be at the absolute discretion of our Board.

Investors may experience difficulties in enforcing their shareholders' rights because our Company is incorporated in the Cayman Islands, and the protection to minority shareholders under the Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions

Our Company is incorporated in the Cayman Islands and its affairs are governed by the Articles, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands law on protection of minority shareholders is set out in paragraph "Summary of the Constitution of the Company and Cayman Islands Company Law – (f) Protection of minorities and shareholders' suits" in Appendix IV to the document.

RISKS RELATING TO STATEMENTS MADE IN THE DOCUMENT

Investors should read the entire document and should not unduly rely on any information contained in press articles or other media coverage regarding us and the [REDACTED]

We strongly caution our investors not to unduly rely on any information contained in press articles or other media regarding us and the **[REDACTED]**. Prior to the publication of the document, there may be press and media coverage regarding the **[REDACTED]** and us. Such press and media coverage may include references to certain information that does not appear in the document, including certain operating and financial information and projections, valuations and other information. We have not authorised the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the

information contained in the document, we disclaim responsibility for it and our investors should not unduly rely on such information.

Certain facts, forecast and other statistics in the document obtained from publicly available sources have not been independently verified and may not be reliable

Certain facts, forecast and other statistics in the document are derived from various government and official resources. Nevertheless, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, such information has not been independently verified by us, the Sponsor, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, the **[REDACTED]**, or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

Forward-looking statements contained in the document are subject to risks and uncertainties

The document contains forward-looking statements with respect to our business strategies, operating efficiencies, competitive positions, growth opportunities for existing operations, plans and objectives of management, certain pro forma information and other matters. The words "aim", "anticipate", "believe", "could", "predict", "potential", "continue", "expect", "intend", "may", "might", "plan", "seek", "will", "would", "should" and the negative of these terms and other similar expressions identify a number of these forward-looking statements. These forward looking statements, including, among others, those relating to our future business prospects, capital expenditure, cash flows, working capital, liquidity and capital resources are necessarily estimates reflecting the best judgment of our Directors and management and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set out in this section. Accordingly, such statements are not a guarantee of future performance and investors should not place undue reliance on any forward-looking information. All forward-looking statements in the document are qualified by reference to this cautionary statement.

FINANCIAL INFORMATION INCLUDED IN THE DOCUMENT (RULE 4.04(1) OF THE LISTING RULES, AND SECTION 342(1) OF AND PARAGRAPHS 27 AND 31 OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE)

According to Rule 4.04(1) of the Listing Rules, the Accountants' Report contained in the document must include, inter alia, the results of our Company in respect of each of the three financial years immediately preceding the issue of the document or such shorter period as may be acceptable to the Stock Exchange.

Section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires all prospectuses to include an accountants' report which contains the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

According to paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in the document a statement as to the gross trading income or sales turnover (as the case may be) of our Company during each of the three financial years immediately preceding the issue of the document as well as an explanation of the method used for the computation of such income or turnover and a reasonable breakdown between the more important trading activities.

According to paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, our Company is required to include in the document a report by our auditor with respect to our profits and losses in respect of each of the three financial years immediately preceding the issue of the document and assets and liabilities at the last date to which our financial statements were prepared.

Pursuant to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with the relevant requirements under the Companies (Winding Up and Miscellaneous Provisions) Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interests of the investing public and compliance with any or all of such requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

Pursuant to the relevant requirements set forth above, our Company is required to produce three full years of audited accounts for the years ended 31 December 2017, 2018 and 2019. However, an application was made to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such waiver has been granted by the Stock Exchange on the conditions that:

(i) our Shares will be **[REDACTED]** on the Stock Exchange on or before **[REDACTED]**;

(ii) our Company will obtain a certificate of exemption from the SFC on compliance with the relevant Companies (Winding Up and Miscellaneous Provisions) Ordinance requirements;

(iii) a profit estimate for the financial year ended 31 December 2019 will be included in the document in compliance with Rule 11.17 to 11.19 of the Listing Rules; and

(iv) there will be a directors' statement in the document that there is no material adverse change to our Company's financial and trading positions or prospects with specific reference to the trading results from 1 August 2019, being the day after the end of the stub period, to 31 December 2019, being the latest financial year end of our Company.

An application has also been made to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and a certificate of exemption has been granted by the SFC under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that:

(i) the particulars of the exemption are set out in the document;

(ii) the document will be issued on or before **[REDACTED]**; and

(iii) our Company's shares will be **[REDACTED]** on the Stock Exchange on or before **[REDACTED]**.

The applications to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules and to the SFC for a certificate of exemption from strict compliance with the requirements under section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance were made on the grounds, that strict compliance with the above requirements would be unduly burdensome and the exemption would not prejudice the interest of the investing public given the followings:

(i) there would not be sufficient time for our Company and our reporting accountants to complete the audit work on the full financial information for the year ended 31 December 2019 for inclusion in the document. If the financial information is required to be audited up to 31 December 2019, our Company and our reporting accountants would have to undertake a considerable amount of work to prepare, update and finalise the financial information to be included in the document and to update the relevant disclosures in the document to cover such additional period; and

(ii) our Company has included in the document (a) the Accountants' Report covering the three years ended 31 December 2018 and seven months ended 31 July 2019 as set out in Appendix I to the document, (b) a profit estimate for the full financial year ended 31 December 2019 in Appendix III to the document; and (c) information regarding our Group's recent developments subsequent to the Track Record Period and up to the Latest Practicable Date. As such, our Company is of the view that all material information that is necessary for the Shareholders and the potential investors to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group has been disclosed in the document.

Our Directors confirmed that all information necessary for the public to make an informed assessment of the activities, assets and liabilities, financial position, management and prospects of our Group has been disclosed in the document, and that, the granting of the certificate of exemption from strict compliance with the requirements under section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraphs 27 and 31 of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance will not prejudice the interest of the investing public. Furthermore, our Directors and the Sponsor, after conducting sufficient due diligence, confirmed that there had not been any material adverse change in the financial or trading positions or prospects of our Group since 1 August 2019 and up to the date of the document, and that there is no event since 1 August 2019 and up to the date of the document which will materially affect the information shown in the Accountants' Report set out in Appendix I to the document, the section headed "Financial Information" in the document and other parts of the document.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Woo Chu Fai (胡柱輝)	Flat B, 43/F, Block 7 Tung Chung Crescent 2 Mei Tung Street, Tung Chung New Territories Hong Kong	Chinese
Mr. Wun Chi Wai (尹志偉)	Flat A, 29/F, Tower 5 8 Bel-Air Peak Avenue Bel-Air No. 8, Bel-Air on the Peak Pok Fu Lam Hong Kong	Chinese
Mr. Yu Chi Kwan (俞志軍)	Flat 6, 15/F, Block C Oi Kan House Tsz Oi Court Tsz Wan Shan Kowloon Hong Kong	Chinese
Non-executive Directors		
Mr. Wan Man Keung (尹民強)	Room 11, 29/F Phase 2, Celestial Heights 80 Sheung Shing Street Ho Man Tin Kowloon Hong Kong	Chinese
Mrs. Kan Wan Wai Yee Mavis (簡尹慧兒)	Flat A, 4/F, Block 2 Cotton Tree Mansions 11 Tak On Street Hung Hom Kowloon Hong Kong	Chinese

Name	Residential Address	Nationality
Independent non-executive Directors		
Mr. Lau Ping Cheung Kaizer (劉炳章)	Flat B, 19/F, Block 3 Cavendish Heights 33 Perkins Road Jardine's Lookout Hong Kong	Chinese
Dr. Sham Chung Ping Alain, *BBS* (沈仲平)	6/F, Block 32 Baguio Villa 550 Victoria Road Hong Kong	Chinese
Mr. May Tai Keung Nicholas (梅大強)	Unit 602, Block C Evergreen Villa 43 Stubbs Road Happy Valley Hong Kong	Australian

Please refer to the section headed "Directors, Senior Management and Staff" in the document for further details.

PARTIES INVOLVED

Sponsor	**Ample Capital Limited** Unit A, 14/F Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong *(A licensed corporation carrying on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO)*
[REDACTED], [REDACTED] and [REDACTED]	**[REDACTED]**
[REDACTED] and [REDACTED]	**[REDACTED]**

[REDACTED]	**[REDACTED]**
Legal advisers to our Company	*As to Hong Kong law* **Fairbairn Catley Low & Kong** 23/F Shui On Centre 6–8 Harbour Road Wan Chai Hong Kong *(Solicitors of Hong Kong)*

	As to the Cayman Islands law **Conyers Dill & Pearman** Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands *(Cayman Islands attorneys-at-law)*
	As to Macau law **Leong Hon Man Law Office** Avenida Praia Grande N.º 409 China Law Building, 12.º Andar, Macau (*Macau legal advisers*)
	As to the PRC Law **Guangdong Shengtianping Law Firm** 10/F., Hantang Building, OCT, Nanshan District Shenzhen, Guangdong PRC (*PRC legal advisers*)
Legal advisers to the Sponsor and the [REDACTED]	*as to Hong Kong law* **David Fong & Co.** Unit A, 12/F China Overseas Building 139 Hennessy Road Wan Chai Hong Kong *(Solicitors of Hong Kong)*
Reporting accountants and auditors after [REDACTED]	**Deloitte Touche Tohmatsu** 35/F One Pacific Place 88 Queensway Hong Kong *(Certified Public Accountants)* Registered public interest entity auditors
Industry consultant	**Frost & Sullivan Limited** 1706, One Exchange Square 8 Connaught Place Central Hong Kong

[REDACTED]

[REDACTED]

CORPORATE INFORMATION

Registered office in the Cayman Islands	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Headquarters and principal place of business in Hong Kong registered under Part 16 of the Companies Ordinance	Unit A, 7th Floor Connaught Harbourfront House Nos. 35–36 Connaught Road West Sheung Wan Hong Kong
Company's website	**semhld.com** *(information on the website does not form part of the document)*
Company secretary	Mr. Chan Chi Hung *(Certified Public Accountant)* Room 1818, Yiu Him House Yiu On Estate Ma On Shan New Territories Hong Kong
Authorised representatives	Mr. Woo Chu Fai Flat B, 43/F, Block 7 Tung Chung Crescent 2 Mei Tung Street Tung Chung New Territories Hong Kong Mr. Chan Chi Hung Room 1818, Yiu Him House Yiu On Estate Ma On Shan New Territories Hong Kong
Audit committee	Mr. May Tai Keung, Nicholas *(chairman)* Mrs. Kan Wan Wai Yee Mavis Dr. Sham Chung Ping Alain

Remuneration committee	Dr. Sham Chung Ping Alain *(chairman)* Mr. Lau Ping Cheung Kaizer Mrs. Kan Wan Wai Yee Mavis
Nomination committee	Mr. Lau Ping Cheung Kaizer *(chairman)* Mr. May Tai Keung, Nicholas Mr. Wan Man Keung
Compliance adviser	**Ample Capital Limited** Unit A, 14/F Two Chinachem Plaza 135 Des Voeux Road Central Central Hong Kong *(A licensed corporation carrying on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO)*
Cayman Islands principal share register and transfer office	**[REDACTED]**
Hong Kong Branch Share Registrar	**[REDACTED]**
Principal bank	**Bank of China Macau Branch** Bank of China Building Avenida Doutor Mário Soares Macau

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 Sponsor, the **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *the* **[REDACTED]**, *or any of our or their respective directors, officers or representatives or any other person involved in the* **[REDACTED]** *(for the avoidance of doubt, except Frost & Sullivan), nor is any representation given as to its accuracy or completeness. Accordingly, undue reliance should not be placed on such information or statistics.*

The information extracted from the Frost & Sullivan Report reflects estimates of market conditions based on sampling, and is prepared primarily as a market research tool. Reference to Frost & Sullivan should not be considered as the opinion of Frost & Sullivan as to the potential investment of our Shares or in our Group. Our Directors believe that the sources of information extracted from the Frost & Sullivan Report are appropriate sources for such information. We have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. Our Directors confirm that after making reasonable enquiries, there has been no adverse change in market information since the date of the Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

REPORT COMMISSIONED FROM FROST & SULLIVAN

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on the Macau electrical and mechanical engineering industry for the period from 2013 to 2023. The report prepared by Frost & Sullivan for us is referred to in the document as the Frost & Sullivan Report. We paid Frost & Sullivan a fee of HK$450,000 which we believe reflects market rates for reports of this type.

Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy. Frost & Sullivan has been covering the Chinese market since the 1990s. Frost & Sullivan has five offices in China and direct access to the knowledgeable experts and market participants in the electrical and mechanical engineering and related industry and its industry consultants, on average, have more than three years of experience.

We have included certain information from the Frost & Sullivan Report in the document because we believe this information facilitates an understanding of the Macau electrical and mechanical engineering industry for the prospective investors. The Frost & Sullivan Report includes information on Macau electrical and mechanical engineering industry as well as other economic data, which have been quoted in the document.

Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of the Macau electrical and mechanical engineering 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. On this basis, our Directors are satisfied that the disclosure of future projections and industry data in this section is not biased or misleading. We believe that the sources of this information are appropriate sources for the information and we have taken reasonable care in extracting and reproducing this information. We have no reason to believe that this information is false or misleading in any material respect of that any fact has been omitted that would render such information false or misleading in any material respect.

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.

ASSUMPTIONS USED IN THE FROST & SULLIVAN REPORT

In compiling and preparing the Frost & Sullivan Report, Frost & Sullivan has adopted the following assumptions:

- 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 electrical and mechanical engineering industry;

- the Macau economy is likely to maintain stable growth in the next decade and the Macau's social, economic and political environment is likely to remain stable in the forecast period;

- the Macau electrical and mechanical engineering industry is expected to grow based on the macroeconomic assumptions of the economy; and

- additional key industry drivers include: urban renewal projects, government policies in promoting tourism and increase in the number of maintenance projects in Macau.

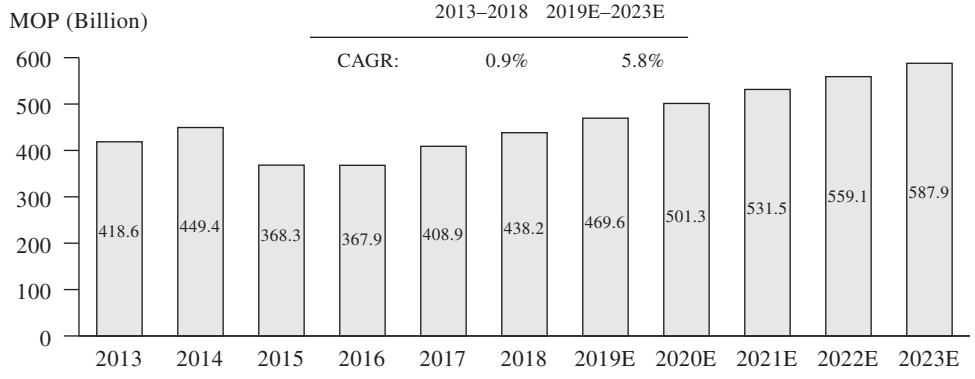
OVERVIEW OF MACROECONOMIC ENVIRONMENT IN MACAU

Nominal GDP

Macau experienced a rapid increase in nominal GDP from 2013 to 2014 due to strong growth of gaming and tourism industries. In 2015 and 2016, the implementation of anti-corruption initiatives by the Chinese central government slowed down the development of the gaming and tourism sectors, which led to a drop in nominal GDP in Macau.

With the growing demand for goods and services as well as recovery of the tourism and gaming industries, it is expected that Macau's nominal GDP will recover at a relatively stable rate in coming years at a CAGR of approximately 5.8% from 2019 to 2023, reaching approximately MOP587.9 billion in 2023.

Nominal GDP (Macau), 2013–2023E

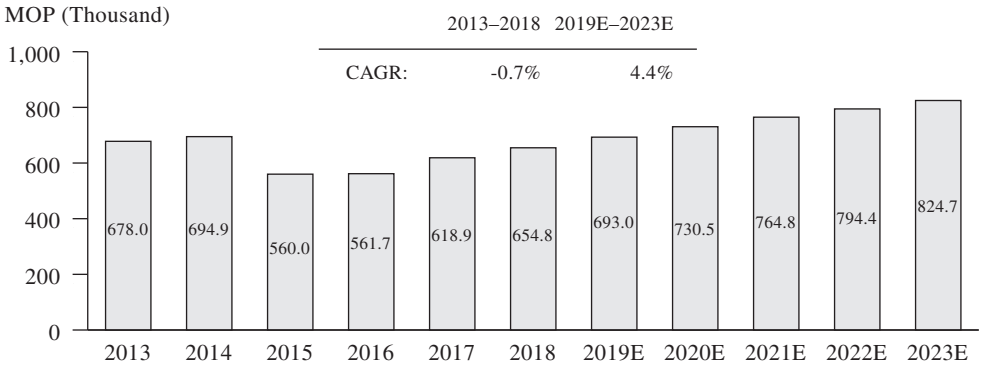


Source: IMF, Frost & Sullivan

Nominal GDP per Capita

Macau had demonstrated a robust growth in per capita nominal GDP from 2013 to 2014 due to booming gaming and tourism industries. With the implementation of anti-corruption initiatives by Mainland China Government, the gaming and tourism performance was affected, leading a drop in per capita nominal GDP in Macau in 2015 and 2016. However, with the continuous development and recovery of gaming and tourism industries, per capita nominal GDP in Macau is anticipated to grow gradually at a CAGR of 4.4% during 2019 to 2023.

Nominal GDP Per Capita (Macau), 2013–2023E

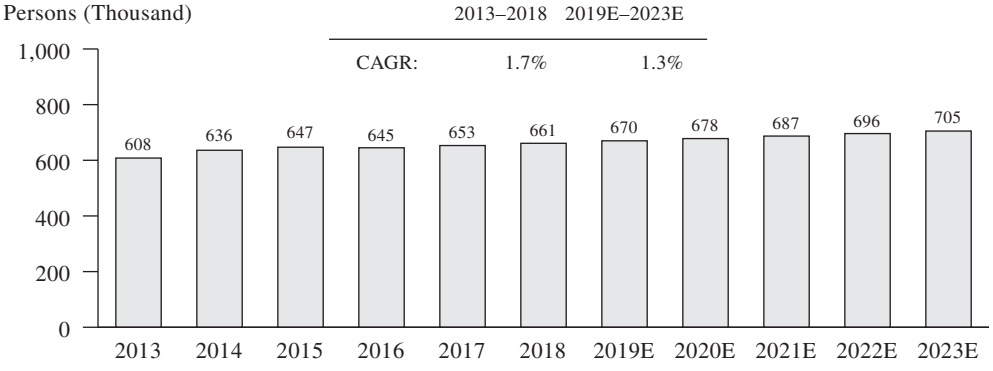


Source: IMF, Frost & Sullivan

Total Population

Macau experienced a gradual increase in population from 608.0 thousand in 2013 to 661.0 thousand in 2018 at a CAGR of 1.7%. It is anticipated that population in Macau will follow a steady growth at a CAGR of 1.3% during 2019 to 2023, reaching 705.0 thousand in 2023.

Population and Growth (Macau), 2013–2023E

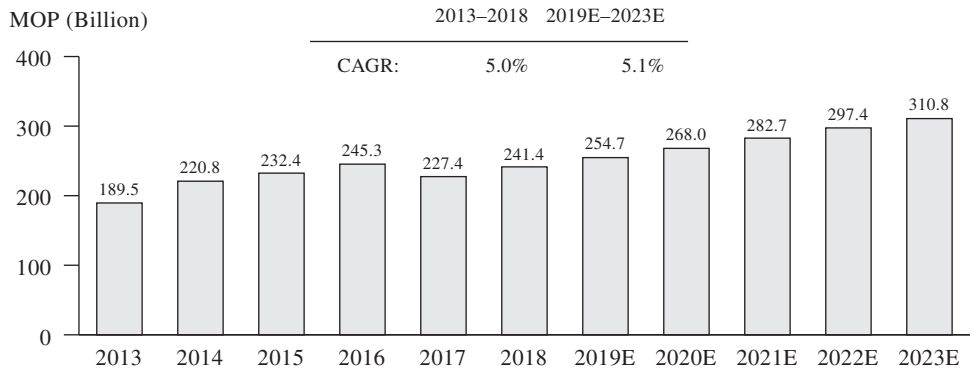


Source: IMF, Frost & Sullivan

Inward Direct Investment

The period between 2013 and 2018 witnessed a sharp growth in inward direct investment in Macau. The inward direct investment grew at a CAGR of 5.0% as a result of the tourism activities, leading to investment and establishment of casinos and shopping malls. The growth of inward direct investment is expected to be relatively the same, growing at a CAGR of 5.1%, due to the expected stable growth in tourism and favourable economic environment over the period from 2019 to 2023.

Inward direct investment (Macau), 2013–2023E



Source: Macau Department of Statistics, Frost & Sullivan

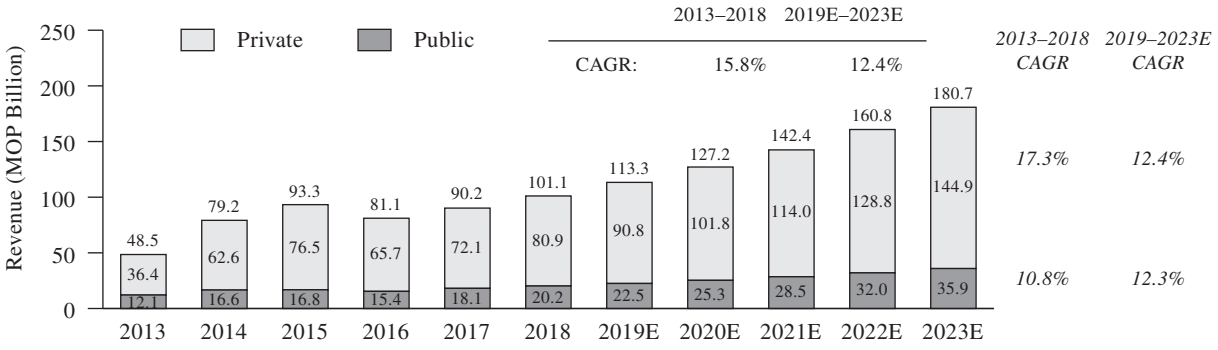
Value of Construction Work Done

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 MOP48.5 billion in 2013 to approximately MOP79.2 billion in 2014. The dramatic increase during 2013 to 2014 was primarily due to the construction of numbers of new casinos and hotels in Macau. Following the significant growth during 2013 to 2014, the growth rate of value of construction works done recorded a decline in 2015 and 2016.

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. 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 mile and expected to add over 12% of land and for city use as highlighted in the Macau Policy Address (the "**Policy Address**") for the Fiscal Year 2017 was recognised as a key driver to the construction industry. Moreover, the development of hotels and resorts from private sector is still ongoing. It is expected that the construction market of Macau will continue to grow at a CAGR of approximately 12.4% from 2019 to 2023, reaching approximately MO180.7 billion in 2023.

The demand for E&M works is directly related to the building development and the upgrade of the existing building facilities. The construction of new buildings would drive the needs for installation of E&M system, which contributes to the growth of Macau E&M engineering services market in Macau.

Value of Construction Work Done and Other Receipts (Macau), 2013–2023E



Source: Macau Department of Statistics, Frost & Sullivan

OVERVIEW OF THE MACAU ELECTRICAL AND MECHANICAL ENGINEERING MARKET

Definition and Classification

E&M engineering may also be referred to as building services engineering. It is about the design, installation, operation, monitoring and maintenance of the technical services in various buildings and structures to ensure safe, comfortable and environmentally friendly operation.

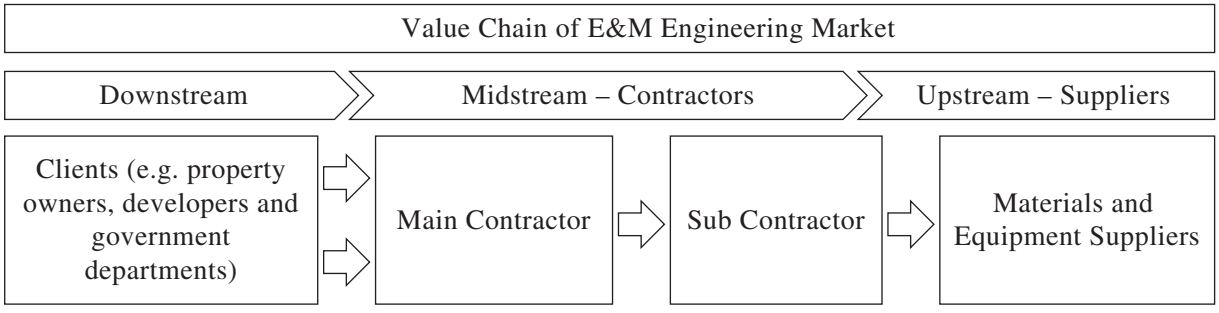
E&M engineering works encompass numerous aspects such as energy supply system (e.g. gas and electricity), escalator and lift, heating system, ventilation system, air conditioning system, low voltage system, distribution board and switchboard, communication lines system (e.g. telephones and cables), building automation system, lightning protection system, fire detection and protection system, security and alarm system, and plumbing and drainage system.

Value Chain Analysis

The value chain of E&M engineering market generally consists of three major parties: clients; contractors; and suppliers. The employers of construction projects in Macau will in most situations engage main contractors to be responsible for the overall administration and supervision of all construction works involved in the construction projects. The main contractors will not carry out all the construction works themselves and will delegate specific works, such as E&M engineering works, to different subcontractors.

It is a common practice of the construction industry in Macau for the main contractors to outsource parts of construction projects to subcontractors because: (i) the subcontractors can perform the same work for lower costs; (ii) the main contractors do not have the expertise in certain area; (iii) the main contractors need the subcontractors to share the project workload due to the large project size and tight deadline; and/or (iv) the main contractors do not have the requisite qualifications to tender for the projects.

Depending on the internal resources level, cost effectiveness and level of works complexity, the E&M engineering works subcontractors may further delegate certain parts of the E&M engineering works (such as electrical-related E&M engineering works), or particular steps (such as installation, testing and commissioning or maintenance), of the entire or certain portions of the E&M engineering works to the sub-subcontractors. Construction projects can be classified as either the public sector projects or the private sector projects. Public sector projects refer to projects commissioned by the Macau Government, while private sector projects refer to projects commissioned by individuals, privately owned property development companies and commercial enterprises.



Source: Frost & Sullivan

Market Size

The market size of E&M engineering services in Macau has increased from MOP5.6 billion in 2013 to MOP11.9 billion in 2018, representing a CAGR of 16.3%. The robust growth is attributable to the increase in number of hotel projects and the correspondent E&M engineering services required. A slight drop was seen in 2016 due to the slowdown of overall construction industry in Macau. The market size of E&M engineering services in Macau is expected to further increase at a CAGR of 9.3% from 2019 to 2023, reaching MOP18.1 billion in 2023.

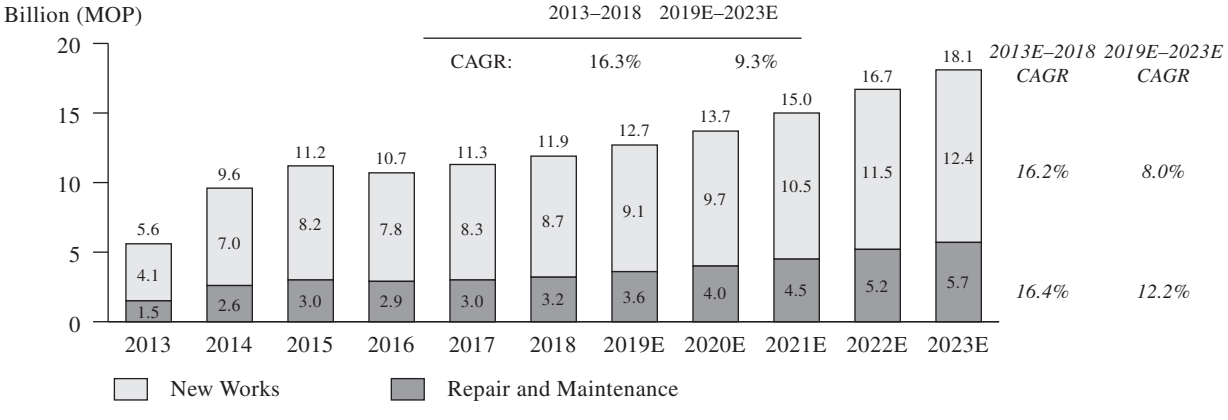
From 2013 to 2018, the new works segment increased from MOP4.1 billion to MOP8.7 billion at a CAGR of 16.2 %, driven by the increase in construction of new buildings and the needs for E&M engineering. The rising number of newly completed buildings in the commercial segment, including casinos, hotels and shopping malls, contributes to the constant demand for installation for E&M systems. The new works segment is forecasted to grows at a CAGR of 8.0% from 2019 to 2023.

The sustained renovation works in urban renewal and upgrade of buildings gives a rise to the demand for E&M engineering services. The repair and maintenance segment increased from MOP1.5 billion in 2013 to MOP3.2 billion in 2018, at a CAGR of 16.4%. Macau has undergone a rapid development in tourism sector during recent years while a number of facilities had been established for some time and require regular inspection and renovation. In particular, reliability and safety of E&M engineering systems such as electricity, wiring and surveillance system becomes increasingly important and renovation, maintenance, alteration and addition works of buildings may often cover E&M engineering systems. In addition, E&M engineering system in buildings and facilities in Macau is expected to be upgraded in view of the impact on power and electricity systems brought by Typhoon Hato in 2017. The repair and maintenance segment would reach MOP5.7 billion in 2023, at a CAGR of 12.2% from 2019 to 2023.

Specifically, the private sector of repair and maintenance segment increased from MOP1,160.0 million in 2013 to MOP2,454.0 million in 2018, at a CAGR of 16.2%, which are attributable to the increase in the number of hotels and casinos in Macau. With increased competition, renovation cycle of hotels, casinos and the related entertainment facilities is estimated to be further shortened, which would create demand for repair and maintenance services. In addition, the ageing E&M systems of the hotels and casino completed from 2013 to 2018 would increase the demand for repair and maintenance services in the private sector. It is expected that the private sector of repair and maintenance segment would maintain its growth at a CAGR of approximately12.8% from 2019 to 2023.

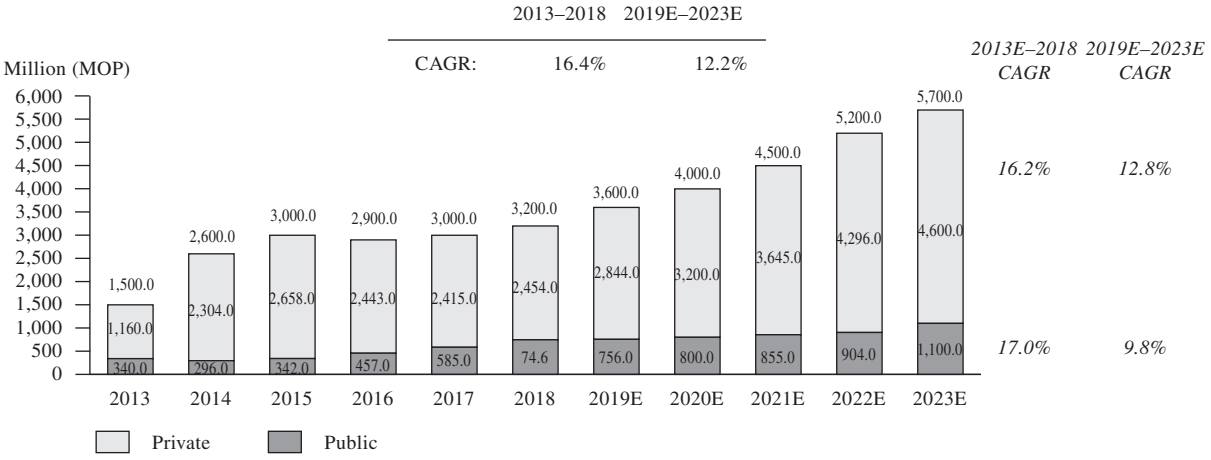
Given the E&M engineering systems require regular and reliable inspection and maintenance as aforesaid, the landlords of the premises will prefer such works to be handled by reputable and established E&M engineering contractors. Further, there have been an increasing need for the 24-hour E&M maintenance services in Macau because provision of maintenance works during "off-peak" hours will cause much less disturbance to the daily operation of the premises.

Market Size in Terms of Output Value of E&M Engineering by Services Types (Macau), 2013–2023E



Source: Frost & Sullivan

Market Size in Terms of Output Value of Repair and Maintenance – related E&M Engineering by Public and Private Sector (Macau), 2013–2023E

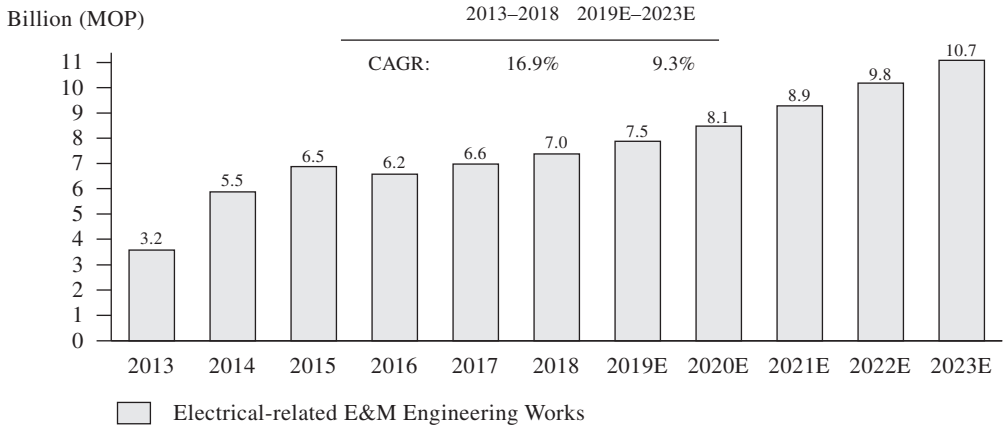


Source: *Frost & Sullivan*

Remark: The private sector includes projects commissioned by private developers whereas the public sector includes projects commissioned by the Government of the Macau Government or the relevant departments.

The revenue generated by the electrical-related E&M engineering works market in Macau has increased from MOP3.2 billion in 2013 to MOP7.0 billion in 2018, representing a CAGR of 16.9%. It is a rising trend that various areas of the building infrastructures and facilities are integrated to enable significant savings on installation, operating, enhancements and maintenance costs throughout the whole life cycle of hospitality facilities, namely casinos, hotels and shopping malls. Advanced technologies are combined with a comprehensive service portfolio, which ensures high system availability and reliability, and facilitates seamless system upgrades and expansions – for better customer experience and higher operational efficiency. This creates new opportunities for the electrical-related E&M engineering works in the Macau. It is expected that the revenue generated by the electrical-related E&M engineering works market in Macau would grow at the CAGR of 9.3% from 2019 to 2023.

Market Size in Terms of Output Value of Electrical-related E&M Engineering Works (Macau), 2013 – 2023E



Source: Frost & Sullivan

Market Drivers

Redevelopment of hospitality facilities

Redevelopment of hospitality facilities is an increasing trend in Macau. The redevelopment plan includes repairs, renovations, replacements and maintenance of casinos, hotels, retail shops and restaurants. Upgrade of facilities and addition of retails shops is shown in the redevelopment plans of major licensed gaming operators, namely extension of Sands Cotai and The Londoner Macao and extension of Galaxy Macao Phase 3 and Phase 4. Installation of new electrical and mechanical engineering systems are required in the redevelopment plans. The expansion, renovation and rebranding of hospitality facilities are forecasted to translate into growth opportunities for the electrical and mechanical engineering industry in Macau.

Rising awareness of emergency repair

Rising awareness towards failure of public utilities translates into greater demand for emergency repair in buildings and facilities. Building disaster recovery and business continuity plans are now becoming increasingly important in construction projects and top priority of urban planning. Recently, the accidents of the public facilities have come into spot light. Macau experienced the blackout in 2015 that hit up to one third of the Macau peninsula and paralysed the operation of some shops, restaurants and banks. Power supplier Companhia de Electricidade de Macau (CEM) attributed the failure to the hitch of facility that transmits power imported from mainland's China Southern Power Grid. The power cut further heightens the importance of emergency repair in response to the failure of public utilities. It is forecasted the demand for emergency repair would continue to grow in Macau. The healthy development of the overall construction industry over past a few years has also led to a rapid rise in demand for public utilities in Macau, including power supply, water and telecom services. People have decreasing tolerance on the failure of public utilities and their expectation of repairing works to be commenced and finished as soon as possible will drive up the demand for emergency repair. In

particular, emergency repair for electricity and water facilities could enjoy the growth from the accelerated development of construction sector and expansion of the public utilities in Macau.

Upgrading of public amenities and enhanced traffic management

With the rapid growth of tourism, the demand for public amenities in Macau is on the rise. The government has been launching policies to upgrade the public amenities and infrastructure, as well as enhancing traffic management. As set out in the 2019 policy address, the Light Rapid Transit (LRT) Taipa line will commence operations in 2020 while the LRT A-Ma station and its transport interchange are under construction. Other projects include the construction of the fourth Macau-Taipa cross-harbour bridge, preliminary design of the fifth Macau-Taipa cross-harbour route, and renovation and expansion of Macau International Airport. The upgrading of public amenities and enhanced traffic management would, therefore, create the huge demand for projects in relation to the electrical and mechanical engineering works in Macau.

Together with the installation, testing and commissioning of route-wide traffic control and surveillance system, the associated fire safety services, and other building works in relation to the traffic enhancement projects would increase the demand for E&M engineering works in Macau. Going forward, traffic management enhancement would alleviate the problem of traffic congestion and increase the capacity to serve more tourists, which in turn benefits the building development and E&M engineering services in the long term.

Surging demand from the construction of Smart City

As set out in the draft of its Five-Year Development Plan (2016–2020), the Macau SAR Government plans to promote the development of Smart City. In 2020, the government will establish an application platform to enable effective overall command during emergencies, which will facilitate the capacities of monitoring, forecasting and coordination. Smart transport is promoted through optimising the transportation system, transport configuration and road works coordination, as well as provision of smart commuting services. The government will also initiate preparatory works for rolling out a 5G network and press ahead with constructing infrastructure for telecommunications operators, hence providing better mobile network services to residents. The development of Smart City requires the investment in IT infrastructure and public utilities, in which more construction works would be performed. To ensure the smoothness of traffic flow, safety of workers and pedestrians, as well as minimising the impact on environment, traffic controls and emergency repair are implemented to comply with the operational standards. The pace of upgrading of public facilities is expected to grow continuously, which in turn lead to an increase in demand for electrical and mechanical engineering emergency repair.

Market Trends

The rise in living standards and technological advancement

Given the gradual rising living standards and the advancement in technology, people have higher expectation in living environments which require different building owners and operators to upgrade their service and facilities system. For the upgrades, often the service and facilities providers such as hotels or entertainment facilitators would prefer employing a more experienced E&M engineering service providers who have more comprehensive capabilities as well as detailed and periodic consultation plan on E&M engineering system installation or maintenance. Such expertise will help building operators to lower their operating cost and system error probability in the long run.

Digitalisation of E&M solution systems

In order to provide better service solutions and more advanced technology in responding customers' requirement in a timely manner and to provide better solutions system in response to the rising technological upgrade. There is a rising trend where E&M engineering service providers would employ digitalised system, enabling them to take higher control over the monitoring of the condition of the E&M system, reporting the system errors etc. Such system is increasingly embraced by E&M engineering service providers as they could identify and quickly locate errors, thus implementing effective solutions to satisfy customers' demands.

Market consolidation

With the gradual expansion of the E&M engineering services market in Macau, large-scale market participants are expecting increase their market share by the provision of comprehensive services while small-scale companies may be driven out of the market due to their limited services and low bargaining power. Some leading E&M engineering service providers in Macau have been seeking for expansion opportunities horizontally and vertically, in business scale and diversification in revenue stream. Such integration would strengthen market position as well as lowering operational and management cost.

Market Opportunities

Development of the New Urban Zone

According to the Policy Address 2019, the development of new urban zone has created numerous opportunities for the construction industry and E&M engineering servicing industry. A number of construction plans ranging from public offices, commercial buildings, public housings, recreation centres etc., are in the pipeline to be built in the following years, benefiting the E&M service providers on new construction and maintenance projects.

Supportive government policies in promotion of environmental protection

As set out in the 2019 policy address, the Macau government will speed up the construction of environmental-friendly infrastructure, implement the Macau Sewage Treatment Facilities Master Plan, and optimise the Macau Peninsula Sewage Treatment Plan and its operations and maintenance. It is expected that the design and upgrading of Coloane Sewage Treatment Plant would be completed in 2020. Environmental engineering industry covers a wide range of application fields like environmental chemistry, water treatment, waste management, process engineering etc. and almost encompasses engineering activities from civil engineering to chemical engineering, it is seen that in the coming future, the contractors with the ability to offer multi-disciplinary engineering services are going to gain a competitive edge in Macau when tendering for electrical and mechanical engineering projects.

Market Challenges

Increasing labour cost

Maintaining E&M systems are often complex, which requires skilled personnel in performing maintenance works. However, due to the shortage of new and experienced labour, the labour cost in E&M engineering services market in Macau has been rising over the past years. According to the Macau Statistics and Census Service, the daily wage of overall electrician workers in Macau has increased from MOP627.0 in 2013 to MOP821.5 in 2018, representing a CAGR of 5.6%. It is predicted the cost of labour, especially for skilled personnels will continue to rise due to the insufficiency of labour force, posing pressure on the operation cost of E&M engineering service providers in Macau.

Over-reliance on gaming sector

The construction industry in Macau is highly dependent on the development of the gaming sector and government policies, especially in land supply and planning. The demand for E&M engineering services is also driven by the strategy and planning of the casinos and hotels operators in Macau. The speed of development and refurbishment of the casinos and hotels facilities shows a positive correlation with the needs for E&M engineering services as well as maintenance services.

Entry Barriers

Long-established project reference

Proven track record is the key competitive factor in the E&M engineering industry. Credible track record for quality of works, efficient division of labour, timely delivery within budget control is the critical metrics for the companies to perform E&M works. New entrants without sound reputation built on the past collaboration with the industry stakeholders and experience in delivering E&M works would compromise a company's overall competitiveness in the market.

Extensive industry expertise and sound reputation

Extensive experience combined with deep industry knowledge and expertise is the strong indicator in evaluating the E&M Engineering companies. Being recognised and having a good reputation allows the companies to win trust of customers and other industry stakeholders, more importantly increases the possibilities of landing projects. From other perspectives, this can also be a barrier for new entrants to enter the E&M engineering industry since they are new to the market and have limited experience and reputation among the industry.

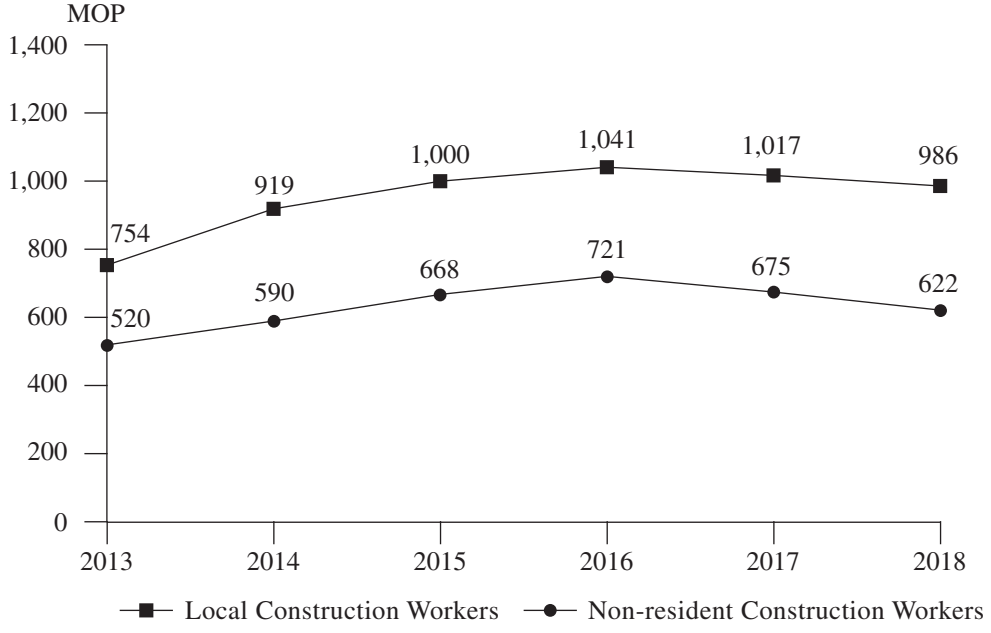
Initial capital requirements

Moreover, sufficient capital flow is important for E&M service providers to satisfy their operational and capital needs. Failure to make timely payments for production or construction costs may delay project schedules and affect their credibility. The upfront cost of a newly awarded project includes the purchase of materials and equipment and recruitment of labour, which is generally more than 10% of the contract sum. In addition, a proportion of capital is required for the issuance of surety bond and other performance bonds. Such substantial amount of capital requirements present barrier for both new entrants and existing leading market participants of E&M engineering industry.

Cost Analysis

The average daily wage of local construction worker in Macau was from MOP754 in 2013 to MOP986 in 2018, while the average daily wage of non-resident construction worker was from MOP520 in 2013 to MOP622 in 2018.

Average Daily Wages of Construction Workers (Macau), 2013–2018



Source: Macau Department of Statistics, Frost & Sullivan

The average daily wages of E&M workers in Macau, including electricians and electrical workers, air-conditioning mechanics, grew at a CAGR of 5.6% and 6.9% during 2013 to 2018. Apart from the decrease in price of electric wire, the materials for E&M works generally recorded a growth from 2013 to 2018.

Average Daily Wages of E&M Workers (Macau), 2013–2018

Type of Workers	*Unit*	2013	2014	2015	2016	2017	2018	CAGR (2013–2018)
Electricians and electrical workers	*MOP*	627	683	795	832	763	821.5	5.6%
Air-conditioning mechanics	*MOP*	623	700	755	827	937	871.3	6.9%

Source: Macau Department of Statistics, Frost & Sullivan

Average Price of Selected Materials for E&M Works (Macau), 2013–2018

Materials	*Unit*	2013	2014	2015	2016	2017	2018	CAGR (2013–2018)
While PVC pipe for protecting electric and telephone wire (Length: 3m Diameter: 20mm–32mm)	*MOP/unit*	11.3	11.6	11.3	11.3	12.3	12.4	1.8%
Thin grey PVC pipe for protecting electric and telephone wire and drainpipe (Length: 4m Diameter: 32mm)	*MOP/unit*	13.3	13.7	13.5	13.9	14.2	14.3	1.5%
Thin grey PVC pipe for protecting electric and telephone wire and drainpipe (length: 4m Diameter: 102mm)	*MOP/unit*	73.5	74.2	75.5	77.5	80.5	809	1.9%
Thick grey PVC water pipe (length: 4m Diameter: 32mm)	*MOP/unit*	26.7	28.1	28.9	29.7	31.6	335	4.6%
Thick grey PVC water pipe (length: 4m Diameter: 102mm)	*MOP/unit*	134.0	134.0	137.0	137.0	137.0	136.5	0.4%
Electric wire (single) (Size: $50mm^2$)	*MOP/100m*	3,366.0	3,266.8	2,908.5	2,525.3	2,510.5	2,782.3	-3.7%
Electric wire (single) (Size: $10mm^2$)	*MOP/100m*	742.0	732.0	713.3	629.8	620.3	660.0	-2.3%
Electric wire (single) (Size: $2.5mm^2$)	*MOP/100m*	239.3	237.0	235.3	227.0	228.5	240.0	0.1%

Source: Macau Department of Statistics, Frost & Sullivan

COMPETITIVE LANDSCAPE OF THE MACAU ELECTRICAL AND MECHANICAL ENGINEERING MARKET

Competition Overview

As estimated, there are more than 200 E&M engineering contractors in Macau in 2018. The E&M Engineering industry in Macau is highly fragmented with the top five players contributing 13.3% of revenue generated by E&M engineering services in 2018. The Group recorded revenue of MOP185.2 million in 2018, accounting for a market share of 1.6%.

Ranking and Market Share of Leading Electrical & Mechanical Engineering Contractors by Revenue (Macau), 2018

Rank	Company	Background	Estimated Revenue in 2018 *(MOP Approximate Million)*	Market Share *(%)*
1	Company A	An E&M engineering service player in Hong Kong, providing a comprehensive range of E&M engineering works with operations in the PRC and Macau	458.1	3.8%
2	Company B	A Macau engineering company engaging in design, installation, maintenance and consultancy for different elements in E&M services such as high/low voltage electrical power supply system, air-conditioning and ventilation system, water supply and plumbing/drainage system, being Customer D of our Group	368.6	3.1%
3	Company C	The Macau operating arm (comprising Customer A2 of our Group) engaging in the provision of E&M engineering services, belonging to an established construction and engineering group listed in Hong Kong	333.8	2.8%
4	Company D	A construction and engineering group with focus on E&M engineering in Hong Kong and Macau	241.5	2.0%
5	The Group	An established E&M engineering works contractor in Macau founded in 2006 with focus on providing electrical-related E&M engineering works	185.2	1.6%
	Top five subtotal		1,587.2	13.3%
	Others		10,312.8	86.7%
	Total revenue of E&M engineering in Macau		11,900.0	100.0%

Source: Frost & Sullivan

Remark:

1. Company A is an E&M engineering service player in Hong Kong, providing a comprehensive range of E&M engineering with operations in Mainland China and Macau

2. Company B principally engages in the design, supply, installation and maintenance of electrical and mechanical engineering services in Macau.

3. Company C specialises in the provision of electrical and mechanical engineering services in Hong Kong, Macau and the PRC.

4. Company D is a construction and engineering group with focus on electrical and mechanical engineering in Hong Kong and Macau.

MACAU LAWS AND REGULATIONS

This section enumerates a summary of the relevant laws and regulations applicable to the business in Macau.

(A) Regulatory and supervisory authority

Macau Land, Public Works and Transport Bureau (Direcção dos Serviços de Solos, Obras Públicas e Transportes, "**DSSOPT**") is the principal regulatory authority for the construction business, including the engineering works.

Concerning construction works, DSSOPT promotes coast protection, conservation and maintenance, infrastructure and sanitation network development, public building and monument construction, and licensing for urban buildings and the utilisation of electrical installations.

The relevant legal framework in respect of construction business is regulated by Decree Law no. 79/85/M, partially revoked by Law no. 1/2015.

Decree Law no. 79/85/M is about the administrative rules governing the process of approval of projects, licensing and supervision of construction works to be carried out in Macau. For the purposes of this law, the construction of new buildings, as well as reconstructions, restorations, repairs, modifications or expansions in existing buildings, demolitions of buildings and any further works that determine a change in topography and soil application infrastructures are considered as "construction works". Pursuant to which, the execution of construction works may only be carried out by companies or constructors that are duly registered with DSSOPT and in respect of licensed and approved projects. Moreover, the construction works carried out in Macau must be done by a technician duly registered with the DSSOPT.

In general, for the registration of companies or constructors, DSSOPT will assess their capacity based on the documents submitted to DSSOPT, namely the list of the technical means that the applicant is able to provide, as well as the list of the construction works previously carried out by the applicant. Provided that a company or constructor has the required license to carry out construction works, the relevant subcontractor is not required to obtain a new license with DSSOPT.

The registration as a constructor with DSSOPT is valid until the end of the calendar year in which it is requested. Failure to apply for renewal before the expiry date will result in the expiration of the registration as constructor with DSSOPT.

Under the Law no. 1/2015, the preparation and execution of projects related to air-conditioning and ventilation systems must be done by electrical engineers or technical machine engineers or, if related to mechanical ventilation, by fire safety engineers, electrical engineers, electro-mechanical engineers and mechanical engineers.

The qualifications of the technicians involved in the constructions business are set out in the Law no. 1/2015, which requires, in particular, those technicians, which include engineers and architects, are required to be duly licensed and registered in the Architect, Engineer and Urban Academy, a public authority in Macau. In addition, the technicians of the company or constructor duly registered with DSSOPT, have been duly licensed and registered in the Architect, Engineer and Urban Academy, and the relevant construction works are carried out under their supervision.

Therefore, the companies or constructors which apply for the construction work license in respect of approved projects shall register with DSSOPT and its engineers and architects are also required to be duly licensed and registered in the Architect, Engineer and Urban Academy, a public authority in Macau.

(B) Environmental protection

The principal legal regimes of safety and environmental laws of Macau, which are applicable to every individual and corporate entity, are the Basic Law of Macau, the Law no. 2/91/M which is known as the organic environmental law of Macau (the "**Macau Environmental Law**"), 25 of August – Law no. 8/2014 regarding the prevention and control of the environmental noise for the protection of health and tranquillity of the population (the "**Law of Prevention and Control of Ambient Noise**") and series of international conventions in related fields applicable in Macau.

Article 119 of the Basic Law of Macau states that: "*The Macau Special Administrative Region shall carry out the protection of environment in accordance with law*". To implement this article together with the Macau Environmental law, Law of Prevention and Control of Ambient Noise and other applicable international conventions, numbers of environmental legislations in form of laws, decree laws and administrative regulations have been enacted in various fields such as natural heritage protection, air, sea and sound pollutions, hygiene of environment and chemical goods.

The provisions of these laws and regulations apply to noise situations produced by: (i) modification works, maintenance and repair in residential buildings; (ii) equipment used in construction and other works; (iii) air conditioning equipment and air ventilation; (iv) activities of everyday life and pets in residential buildings; (v) shows, entertainment and similar activities; (vi) any activities in buildings or building units for industry, trade and services; and (vii) activities in public spaces.

Macau Environmental Protection Bureau ("**DSPA**") is responsible for the monitoring of compliance with the provisions that concern (i) works of modification, maintenance and repair in residential buildings; (ii) equipment used in construction and other works; (iii) air conditioning systems and air ventilation; (iv) shows, entertainment and similar activities; and (v) industry, trade and services.

On the other hand, the Macau Public Security Police Force ("**CPSP**") shall monitor the compliance of noise in relation to daily living activities and pets in residential buildings and public spaces.

DSPA's staff, in the exercise of their supervisory functions, enjoys public authority and may ask other public bodies, including the CPSP when collaboration is deemed necessary. The staff shall carry an identification card, whose model is approved by order of the Chief Executive of Macau, to be published in the Official Gazette of Macau.

DSPA can request departments and agencies, public or private that have acoustic expertise for the necessary technical support to exercise their duties.

Law no. 8/2014 stipulates the rules for the prevention and control of environmental noise pollution. Pursuant to which, no modification works, maintenance and repair, generating disturbing noise in residential buildings can be carried out on Sundays and public holidays, as well as the period between 7:00 p.m. and 9:00 a.m. on weekdays. Furthermore, the piling works and the use of mechanical equipment, fixed or mobile, in construction works less than 200 meters from residential buildings and hospitals are prohibited on Sundays and public holidays, as well as between 8:00 p.m. and 8:00 a.m. on weekdays.

Regarding water and marine pollution, in particular, Decree Law no. 46/96/M defines 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 firefighting water installations, whereas Decree Law no. 35/97/M provides for the protection of the marine environment from pollution. The latter further prohibits the discharge of any solid or liquid residues, in particular petroleum or chemical substances, which may contaminate marine water, beaches or coastal areas and affect their flora and fauna wildlife.

(C) Laws and regulations relating to labour matters in Macau

The labour regime in Macau is based on Law no. 4/98/M (Framework Law on Employment Policy and Workers' Rights) which prescribes general principles and directions of Labour legislations.

Law no. 7/2008 (Labour Relation Law), which became effective on 1 January 2009 and replaced the "old Labour law" – Decree-Law no. 24/89/M (Labour Relations, Juridical System), provides the basic requirements and conditions for all types of Labour relations with certain exceptions. In general, requirements and conditions stipulated in such law cannot be waived by mutual agreement. All working conditions of whatever type of Labour relation should not be worse than the basic conditions stipulated in such law.

The employer shall comply with the conditions required under Decree Law no. 37/89/M (approval of general regulation of working safety and hygiene of office, service and commercial establishment) in order to provide a safe and clean working condition for its employees, failing of which will result fine and cautious measures to be imposed on the employer pursuant to

Decree Law no. 13/91/M (determination of sanctions for the non-compliance of general regulation of working safety and hygiene of office, service and commercial establishments).

Furthermore, for the construction business, the employer shall comply with the rules provided under Decree Law no. 44/91/M (hygiene and safety regulation of civil construction) and Decree Law no. 34/93/M (legal regime of noise at work), to provide a safe, clean and environmentally friendly working conditions for the employees. Failure to comply with those rules may result in the application of fines, pursuant to the provisions set out by Decree Law no. 67/92/M and Decree Law no. 48/94/M.

The statutory requirements stipulated under Decree Law no. 58/93/M (approval of social security regime), revoked by Administrative Regulation no. 24/2015 (approval of labour credits guarantee fund) and partially revoked by Administrative Regulation no. 6/2007, Law no. 21/2009, Law no. 4/2010 and Law no. 10/2015, and Decree Law no. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases), stipulate that an employer is obliged to participate and contribute to the mandatory social security funds and to obtain compulsory industrial accident insurance for its employees in Macau in accordance with the relevant applicable legislations, failing of which will result an administrative fine to be imposed on the employer as legal sanction.

In the event an industrial accident occurs, the employer shall notify Macau Labour Affairs Bureau within 24 hours of the accident, or the time that they acknowledge and also the insurer within the period as regulated under the insurance policy. Failing of notification to Macau Labour Affairs Bureau will result an administrative fine from MOP2,500 to MOP12,500 to be imposed on the employer.

All employees must either be permanent or non-permanent Macau residents or holders of work permits in the case of foreign workers. Hiring a non-resident worker shall comply with Law No. 21/2009 (law of hiring non-resident workers), and the employer is required to obtain the work permit in the case of foreign worker. Except for certain limited situations stated under Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work), workers other than Macau residents or holders of work permits will be considered as illegal workers in Macau and employers will be criminally liable under Law No. 6/2004 (Law of Illegal Immigration and Expulsion) and subject to an administrative fine according to the above-mentioned administrative regulation.

In addition, the statutory requirements stipulated under Law No. 3/2014 (Regime of Occupational Safety Card in Civil Construction), all individuals, whether they are employers or not, who participates the execution of works on construction sites or in places where there will be construction works are obliged to hold an valid occupational safety card.

The occupational safety card is issued by Macau Labour Affairs Bureau and it is used to prove that a cardholder possesses basic safety knowledge in civil construction.

The occupational safety card is acquired from finishing a training course of occupational safety card in civil construction or passing a public examination instituted by Macau Labour Affairs Bureau.

Failure to comply with those rules of Law No. 3/2014 (Regime of Occupational Safety Card in Civil Construction), the employee may be punished with an administrative fine of MOP 500 and the employer may be punished with an administrative fine from MOP1,500 to MOP 7,500 pursuant to each employee involved in an violation.

The regulatory authorities which are responsible for labor safety, social security regime and insurance matters are the Labour Affairs Bureau, Social Security Fund of Macau and Monetary Authority of Macau, respectively.

Decree Law no. 44/91/M (Regulation of Hygiene and Safety in the work of Civil Construction) establishes obligations and recommendations relating to civil construction activities and is addressed to workers, contractors, as well as all persons permanently or occasionally present on the site.

For the purposes of taking the necessary measures to ensure the proper organisation and effective prevention of risks which may affect the life, physical integrity and health of workers and clarify the workers of the potential danger situations to which they are subjected and how to overcome them, making the educational action especially on those who, for the first time, work in the company, the contractors and sub-contractors who employ 100 or more workers shall have a employee as a safety officer.

(D) Laws and regulations relating to taxation in Macau

Under the Macau Laws, a company registered in Macau should comply with the tax regime of Macau. According to the business nature of a company, the profit tax and the industrial tax are payable by a company and a company also has the responsibility for the declaration of the professional tax of their staff generally under the law no. 2/78/M.

A company shall declare the annual profit of last year to the Financial Services Bureau from April to June for Group A taxpayers, and from February to March for Group B taxpayers, and the Financial Services Bureau will assess the profit tax payable by each company accordingly. Under the law no. 21/78/M (Profit Tax), and the Law No. 9/2014 as amended by Law no. 5/2015, Law no. 15/2015, Law no. 11/2016 and Law no. 16/2017 (Budget laws of year 2015, 2016, 2017 and 2018), the profit tax of the first MOP600,000.00 is exempted and the balance will be calculated by the rate from 12% that exceeds this amount for the year 2015 to 2018.

Pursuant to the Regulation of Industrial Tax, as approved by Law No. 15/77/M, all entities who exercise any commercial or industrial activities are subject to the Industrial Tax. The industrial tax is fixed and calculated according to the business nature of each company and due for the operation based on the fixed rates of the activities as stated in the General Table of

Activities as annexed in the same Regulation of Industrial Tax. However, all the industrial tax is exempted by the Macau Government in the years 2014, 2015, 2016, 2017 and 2018. Macau Government will decide whether the exemption will continue through the budget law of the forthcoming years.

HONG KONG LAWS AND REGULATIONS

Business registration certificate

According to the Business Registration Ordinance (Chapter 310 of the Laws of Hong Kong) (the "**BRO**"), a business must obtain a business registration certificate in accordance with section 5 of the BRO. The application for a business registration certificate shall be made within one month of the commencement of business.

Mandatory Provident Fund Schemes Ordinance

The Mandatory Provident Fund (the "**MPF**") schemes are defined as contribution retirement scheme managed by authorised independent trustees. The Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (the **"MPFSO**") provides that an employer shall participate in an MPF scheme and make contributions for its employees aged between 18 and 65. Under the MPF scheme, an employer and its employee are both required to contribute 5% of the employee's monthly relevant income as mandatory contribution for and in respect of the employee, subject to the minimum and maximum relevant income levels for contribution purposes. Under Schedule 3 of the MPFSO, the maximum level of relevant income for contribution purposes is currently HK$30,000 per month or HK$360,000 per year.

Inland Revenue Ordinance

Under section 52(2) of the Inland Revenue Ordinance, every person who is an employer shall, when required to do so by notice in writing given by an assessor appointed under the Inland Revenue Ordinance, furnish a return of all persons employed by him in receipt of remuneration in excess of a minimum figure to be fixed by the assessor or any other person employed by him named by the assessor. In addition, under section 52(4) of the Inland Revenue Ordinance, where any person who is an employer commences to employ in Hong Kong an individual who is or is likely to be chargeable to tax under Part 3 of the Inland Revenue Ordinance, or any married person, he shall give notice thereof in writing to the Commissioner of Inland Revenue not later than 3 months after the date of commencement of such employment. Under section 52(5) of the Inland Revenue Ordinance, where any person who is an employer ceases or is about to cease to employ in Hong Kong an individual who is or is likely to be chargeable to tax under Part 3 of the Inland Revenue Ordinance, or any married person, he shall give notice thereof in writing to the Commissioner of Inland Revenue not later than 1 month before such individual ceases to be employed in Hong Kong.

Employment Ordinance

The Employment Ordinance (Chapter 57 of the Laws of Hong Kong) (the "**EO**") provides for, amongst other things, the protection of the wages of employees, to regulate general conditions of employment, and for matters connected therewith.

Under section 25 of the EO, where a contract of employment is terminated, any sum due to the employee shall be paid to him as soon as it is practicable and in any case not later than seven days after the day of termination. Any employer who wilfully and without reasonable excuse contravenes section 25 of the EO commits an offence and is liable to a maximum fine of HK$350,000 and imprisonment for a maximum of three years.

Further, under section 25A of the EO, if any wages or any sum referred to in section 25(2)(a) of the EO are not paid within seven days from the day on which they become due, the employer shall pay interest at a specified rate on the outstanding amount of wages or sum from the date on which such wages or sum become due up to the date of actual payment. Under 63CA of the EO, any employer who wilfully and without reasonable excuse contravenes section 25A of the EO commits an offence and is liable on conviction to a maximum fine of HK$10,000.

Minimum Wage Ordinance

The Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong) (the "**MWO**"), which came into effect on 1 May 2011, provides a statutory minimum wage for the employees employed under the EO in Hong Kong. In essence, wages payable to an employee in respect of any wage period, when averaged over the total number of hours worked in the wage period, should be no less than the statutory minimum wage. With effect from 1 May 2019, the statutory minimum wage was increased from HK$34.5 per hour to HK$37.5 per hour. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employees by the MWO is void.

Employees' Compensation Ordinance

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

Under section 5 of the ECO, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is generally liable to pay for the compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, under section 32 of the ECO, an employee who suffers incapacity or dies arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents.

Further, section 40 of the ECO provides that an employer is not permitted to employ any employee in any employment unless there is in force in relation to such employee a policy of insurance issued by an insurer for an amount not less than that specified in the ECO.

Under section 40(2) of the ECO, an employer who fails to comply with the ECO to secure an insurance cover is liable on conviction upon indictment to a fine of HK$100,000 and imprisonment for two years and on summary conviction to a fine of HK$100,000 and imprisonment for one year.

Occupational Safety and Health Ordinance

The Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong) (the "**OSHO**") regulates the safety and health matters in work places, and applies to all employers and occupiers of premises where workplaces are located. Its primary purposes are (i) to ensure the safety and health of employees when they are at work, (ii) to prescribe measures that will make workplaces of employees safer and healthier for them, (iii) to improve the safety and health standards applicable to certain hazardous processes, plant and substances used or kept in workplaces, and (iv) to improve the safety and health aspects of working environments of employees.

The employer shall ensure the safety and health at works of all his employees by:

(a) providing and maintaining plant and work systems that are safe and without risk to health;

(b) making arrangements for ensuring safety and the absence of risks to health in connection with the use, handling, storage and transport of plants and substances;

(c) providing all necessary information, instruction, training and supervision for ensuring safety and health;

(d) providing and maintaining safe access to and egress from the workplaces; and

(e) providing and maintaining a work environment that is safe and without risk to health.

Under section 6 of the OSHO, failure to comply with the above provisions constitutes an offence and the employer is liable on conviction to a fine of HK$200,000. An employer who fails to do so intentionally, knowingly or recklessly commits an offence and is liable on conviction to a fine of HK$200,000 and to imprisonment for six months.

Under section 9(1) of the OSHO, the Commissioner for Labour may serve an improvement notice on an employer, or an occupier of premises where a workplace is located, if the employer or occupier is contravening the OSHO, or has contravened in circumstances that make it likely that the contravention will be continued or repeated. Under section 9(2)(e) of the OSHO, an improvement notice must require the employer or occupier either to remedy the contravention

within a period specified in the notice, or to refrain from continuing or repeating the contravention.

Under section 9(5) of the OSHO, an employer who, without reasonable excuse, fails to comply with a requirement of an improvement notice commits an offence and is liable on conviction to a fine of HK$200,000 and to imprisonment for 12 months.

Competition Ordinance

The Competition Ordinance (Chapter 619 of the Laws of Hong Kong) (the "**CO**") is to prohibit conduct that prevents, restricts or distorts competition in Hong Kong; to prohibit mergers that substantially lessen competition in Hong Kong, and to provide for incidental and connected matters.

The CO includes the first conduct rule, which states that an undertaking shall not make or give effect to an agreement, engage in a concerted practice, or, as a member of an association of undertakings, make or give effect to a decision of the association, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong, and the second conduct rule, which prohibits anti-competitive conduct by a party with substantial market power; and the merger rule, which states that an undertaking that has a substantial degree of market power in a market must not abuse that power by engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong.

Upon breach, the Competition Tribunal may impose pecuniary penalty, director disqualifications, and prohibition, damage and other orders on offenders. For pecuniary penalty, section 93 of the CO enables the Competition Tribunal to award a penalty up to 10% of the turnover of the undertakings involved for up to three years in which the contravention occurs.

OVERVIEW

Introduction

Prior to the establishment of our Group, Mr. MK Wan and his younger brother, Mr. CW Wun together with other business partners, through Ready Engineering and its subsidiaries, ran a series of businesses. One of the subsidiaries of Ready Engineering, Ready System Engineering, was principally engaged in the provision of E&M engineering services in Hong Kong since 1991. Mr. MK Wan, who was responsible for the daily operation and management of Ready System Engineering, had accumulated a wealth of experience in E&M engineering industry.

In view of the growing demand for building construction due to booming tourism and gaming industries in Macau, Mr. MK Wan decided to expand the E&M engineering services business into Macau. Following the strategic planning of Mr. MK Wan, Ready Engineering set up Ready System (Macau) in 2006 to explore new business opportunities in the E&M engineering industry in Macau. The initial investment in Ready System (Macau) was financed by a loan from Ready System Engineering. As at the date of its incorporation, Ready System (Macau) was then owned as to 96% by Ready Engineering and as to 4% by Mr. MK Wan, while Ready Engineering was then owned as to 70% by Mr. MK Wan, as to 10% by Mr. CW Wun, and the remaining 20% was held by two Independent Third Parties.

Ready System (Macau) is an E&M engineering works contractor in Macau with focus on providing electrical-related E&M engineering works. We commenced our business by providing E&M engineering works in a casino development project in 2006. In 2007, we started to provide E&M engineering works in commercial and residential development projects. In order to strengthen our management ability, we set up SEM Resources in Hong Kong in 2015 to provide management and administrative support to other Group members. In 2015, Ready System (Macau) duly registered with the DSSOPT as a registered contractor for execution of construction works in Macau. With this qualification, Ready System (Macau) is able to act as a main contractor in construction projects. Our Directors believe that our registration with the DSSOPT has broadened our customer base and will continue to bring business opportunities to us in the future.

Business milestones

Year	Major development and achievement
2006	Ready System (Macau) was incorporated in Macau on 15 May 2006
2006	Ready System (Macau) was awarded its first casino project with a total contract sum of approximately MOP22.2 million
2007	Ready System (Macau) provided electrical engineering works in a mixed use development (hotel and service apartments) project with a total contract sum of approximately MOP118.6 million

Year	Major development and achievement
2007	Ready System (Macau) was awarded its first residential apartment project with a total contract sum of approximately MOP34.8 million
2008	The annual revenue of our Group achieved approximately MOP70.0 million
2015	SEM Resources was incorporated in Hong Kong to provide management and administrative support to other Group members
2015	Ready System (Macau) duly registered with the DSSOPT as a registered contractor for execution of construction works; Ready System (Macau) was awarded Project P2 to install and supply electrical system in a residential and commercial development project at Taipa, Macau with the initial contract sum of approximately MOP138.7 million
2016	Ready System (Macau) was awarded Project P1 to provide maintenance, supply and installation of fitting out, electrical, mechanical ventilation and air conditioning and plumbing works in a hotel renovation project at Avenida da Amizade, Macau with the initial contract sum of approximately MOP120.6 million
2017	The annual revenue of our Group first achieved over MOP200.0 million
2019	Ready System (Macau) was awarded Project P13 to supply and install electrical system in a hotel development project at Lago Nam Van, Macau with the initial contract sum of approximately MOP168.8 million

Our corporate history

Our Group consists of our Company, SEM Investments, SEM Development, SEM Resources and Ready System (Macau). Particulars of each Group member are set out below.

Our Company

Our Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law on 6 November 2015. Pursuant to the Reorganisation, as more particularly described in the paragraph headed "Reorganisation" under this section, our Company has become the holding company of our Group for the purpose of the **[REDACTED]**.

On 8 January 2016, each of Convoy Collateral Limited ("**Convoy Collateral**") and DRL Capital ("**DRL Capital**") (both are Independent Third Parties) subscribed for 3,250,000 Shares and 1,750,000 Shares at the consideration of HK$6,500,000 and HK$3,500,000, representing 6.5% and 3.5% of the then enlarged issued share capital of our Company respectively.

On 5 February 2016, our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance.

On 24 December 2018, our Company repurchased 3,250,000 Shares held by Convoy Collateral at a consideration of HK$8,775,000 and 1,750,000 Shares held by DRL Capital at a consideration of HK4,725,000 respectively, out of its own profits.

The aforesaid repurchased Shares were subsequently cancelled and the issued share capital of our Company was diminished by the nominal value of the aforesaid repurchased shares to HK$450,000 divided into 45,000,000 Shares which are wholly-owned by SEM Enterprises.

For further details of the subscription of Shares and exit of Convoy Collateral and DRL Capital, please refer to the paragraph headed "Reorganisation – 2. Incorporation of Our Company".

SEM Investments

SEM Investments was incorporated in the BVI with limited liability on 2 October 2015 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On 6 November 2015, one subscriber share of SEM Investments was allotted and issued, credited as fully paid to our Company.

As at the Latest Practicable Date, SEM Investments was an intermediate holding company and held the entire issued share capital of SEM Development, the entire issued share capital of SEM Resources and 96% of the share quota of Ready System (Macau). As at the Latest Practicable Date, SEM Investments was principally engaged in investment holding and is a wholly-owned subsidiary of our Company.

SEM Development

SEM Development was incorporated in the BVI with limited liability on 2 October 2015 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. On 6 November 2015, one subscriber share of SEM Development was allotted and issued, credited as fully paid, to SEM Investments.

As at the Latest Practicable Date, SEM Development was an intermediate holding company and held 4% of the share quota of Ready System (Macau). As at the Latest Practicable Date, SEM Development was principally engaged in investment holding and is a wholly-owned subsidiary of SEM Investments.

SEM Resources

SEM Resources was incorporated in Hong Kong with limited liability on 5 November 2015. Upon its incorporation, one share was allotted and issued, credited as fully paid, to SEM

Investments at the subscription price of HK$1.00, following which SEM Resources was wholly owned by SEM Investments.

As at the Latest Practicable Date, SEM Resources was principally engaged in the provision of management and administrative services to other members of our Group.

Ready System (Macau)

Ready System (Macau) was incorporated in Macau with limited liability with a share capital of MOP25,000.00 on 15 May 2006 and registered in the Commercial and Movable Assets Registry of Macau on 16 May 2006. Upon its incorporation, 96% of the share quota of Ready System (Macau) was held by Ready Engineering and 4% of the share quota was held by Mr. MK Wan. Please refer to the paragraph headed "Overview – Ready Engineering" in this section for the historical shareholding changes in Ready Engineering on or after the incorporation of Ready System (Macau).

On 1 December 2015, Ready Engineering and Mr. MK Wan transferred all their respective shares in Ready System (Macau) to SEM Investments and SEM Development respectively. Please refer to the paragraph headed "Reorganisation" in this section for details. As at the Latest Practicable Date, 96% of the share quota of Ready System (Macau) is held by SEM Investments and 4% of the share quota is held by SEM Development.

Ready Engineering

Ready Engineering was incorporated with limited liability in Hong Kong on 18 December 1987 and it is an investment holding company.

As at the date of the incorporation of Ready System (Macau) on 15 May 2006, Ready Engineering was then owned as to 70% by Mr. MK Wan, as to 10% by Mr. CW Wun, and the remaining 20% was held by two Independent Third Parties.

In December 2010, through numerous transfers of shares, the aforesaid two Independent Third Parties ceased to be the shareholders of the Ready Engineering, while Mr. Yu and Mr. Ko Chi Chung (an Independent Third Party) became the shareholders of Ready Engineering such that Ready Engineering was then owned as to 70% by Mr. MK Wan, as to 24% by Mr. CW Wun, as to 3% by Mr. Yu and as to 3% by Mr. Ko Chi Chung.

In October 2015, Mr. Ko Chi Chung transferred all his shares in Ready Engineering to Mr. MK Wan. After the aforesaid transfer, while Ready System (Macau) remained to be owned as to 96% by Ready Engineering and as to 4% by Mr. MK Wan, Ready Engineering was then owned as to 73% by Mr. MK Wan, as to 24% by Mr. CW Wun and as to 3% by Mr. Yu.

Since 1 December 2015, prior to the Track Record Period, with Ready Engineering and Mr. MK Wan transferred all their respective share capital in Ready System (Macau) to SEM Investments and SEM Development respectively, Ready Engineering has ceased to be the shareholder of Ready System (Macau).

REORGANISATION

For the purpose of the **[REDACTED]**, we underwent the Reorganisation (which was carried out before the Track Record Period) as a result of which our Company became the holding company of our Group.

The Reorganisation involved the following steps:

1. Incorporation of SEM Enterprises

SEM Enterprises was incorporated in the BVI with limited liability on 2 October 2015 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each, of which 7,408 shares, 2,304 shares, and 288 shares of SEM Enterprises were allotted and issued fully paid at par to Mr. MK Wan, Mr. CW Wun and Mr. Yu respectively representing 74.08%, 23.04% and 2.88% respectively of the total issued share capital of SEM Enterprises upon incorporation.

2. Incorporation of our Company

Our Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law on 6 November 2015. Upon incorporation, the authorised share capital of our Company was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. One subscriber Share was allotted and issued as fully paid to the first subscriber, an Independent Third Party, on 6 November 2015, which was transferred to SEM Enterprises on the same day.

On 6 November 2015, 37,999,999 Shares were allotted and issued, fully paid to SEM Enterprises at par.

On 18 December 2015, the authorised share capital of our Company was increased from HK$380,000 to HK$50,000,000 by the creation of an additional 4,962,000,000 Shares. On the same date, 7,000,000 Shares were allotted and issued fully paid to SEM Enterprises at par.

Subscription of Shares by Convoy Collateral and DRL Capital

On 8 January 2016, Convoy Collateral entered into a subscription agreement with the Company, pursuant to which Convoy Collateral subscribed for 3,250,000 Shares at a consideration of HK$6,500,000, representing 6.5% of the then enlarged issued share capital of the Company.

Convoy Collateral is a limited company incorporated in Hong Kong on 2 June 2003. To the best knowledge of the Directors, as at 8 January 2016, Convoy Collateral was principally engaged in the provision of money lending and proprietary investment services and was an indirect wholly-owned subsidiary of Convoy Financial Services Holdings Limited (stock code: 1019).

On 8 January 2016, DRL Capital entered into a subscription agreement with the Company, pursuant to which DRL Capital subscribed for 1,750,000 Shares at a consideration of HK$3,500,000, representing 3.5% of the then enlarged issued share capital of the Company.

DRL Capital is an exempted company incorporated in the Cayman Islands on 6 March 2013 with limited liability. To the best knowledge of the Directors, as at 8 January 2016, (i) DRL Capital was principally engaged in investment holding; (ii) the authorised capital of DRL Capital was US$50,000 divided into 100 management shares of US$1.00 par value each and 4,990,000 participating shares of US$0.01 par value each; (iii) Cassia General Partner I Limited (incorporated in the Cayman Islands), Convoy Fund Management Limited (incorporated in the Cayman Islands) and Lee Derek Ho Yin were the holders of the management shares of DRL Capital; and (iv) the participating shares of DRL Capital were held by Convoy Collateral, Lee Derek Ho Yin, two associates of Lee Derek Ho Yin, and an individual investor.

The abovementioned subscriptions were originally about the **[REDACTED]** investments by Convoy Collateral and DRL Capital to the Group in the lapsed **[REDACTED]** project of the Group in 2016. Further details of the abovementioned subscriptions are as follows:

Subscriber	:	Convoy Collateral	DRL Capital
Date of subscription agreement	:	8 January 2016	8 January 2016
Consideration	:	HK$6,500,000	HK$3,500,000
Payment date of the consideration	:	8 January 2016	8 January 2016
Number of Shares subscribed	:	3,250,000 Shares	1,750,000 Shares
Subscription cost per Share	:	HK$2	HK$2
Intended [REDACTED]	:	For payment of expenses incurred in connection with the **[REDACTED]** application of the Group	

Exit of Convoy Collateral and DRL Capital

Nevertheless, the relevant **[REDACTED]** project had not proceeded at the end and lapsed. After around two years, at the request of the Company, Convoy Collateral and DRL Capital decided to divest their lapsed **[REDACTED]** investments and therefore the Company entered into a sale and repurchase agreement with each of Convoy Collateral and DRL Capital on 19 December 2018, pursuant to which the Company would repurchase 3,250,000 Shares at a consideration of HK$8,775,000 from Convoy Collateral and 1,750,000 Shares at a consideration of HK$4,725,000 from DRL Capital.

Both repurchase of Shares were completed on 24 December 2018 and both Convoy Collateral and DRL Capital ceased to be shareholders of the Company.

The Directors confirm that there is no special right to be exercised by Convoy Collateral and DRL Capital in relation to the Group and that they do not have any interests in the Company nor its subsidiaries.

3. Incorporation of SEM Investments

SEM Investments was incorporated in the BVI with limited liability on 2 October 2015 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. One subscriber share of SEM Investments was allotted and issued to our Company at par on 6 November 2015.

4. Incorporation of SEM Development

SEM Development was incorporated in the BVI with limited liability on 2 October 2015 with an authorised share capital of US$50,000 divided into 50,000 shares of US$1.00 each. One subscriber share of SEM Development was allotted and issued to SEM Investments at par on 6 November 2015.

5. Incorporation of SEM Resources

SEM Resources was incorporated in Hong Kong with limited liability on 5 November 2015. Upon incorporation, one share of HK$1.00 of SEM Resources was allotted and issued to SEM Investments, therefore SEM Resources became a wholly owned subsidiary of SEM Investments.

6. Acquisition of Ready System (Macau) by SEM Investments and SEM Development

On 1 December 2015, Ready Engineering, Mr. MK Wan, SEM Investments, SEM Development and Ms. Lam Yin, the spouse of Mr. MK Wan entered into a sale and purchase agreement, pursuant to which Ready Engineering transferred the share quota of MOP24,000 in Ready System (Macau) to SEM Investments and Mr. MK Wan transferred the share quota of MOP1,000 in Ready System (Macau) to SEM Development respectively at par. The said transfers were properly and legally settled and completed on 2 December 2015. As at the Latest Practicable Date, Ready System (Macau) is held by SEM Investments and SEM Development as to 96% and 4% respectively.

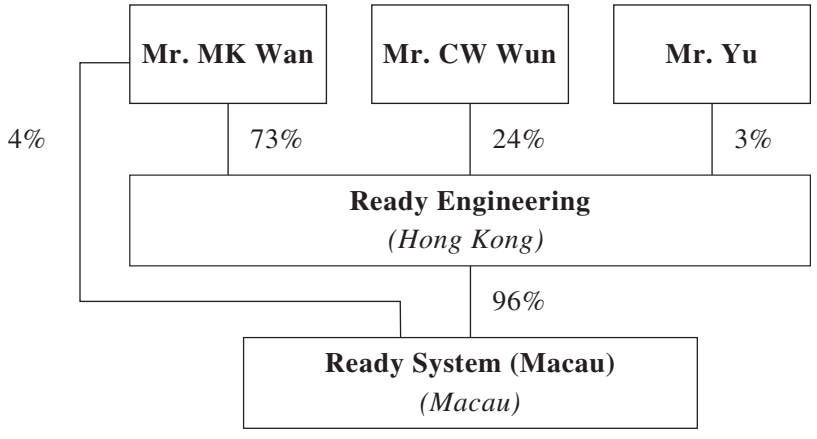
Immediately after the aforesaid transfer of shares, Ready System (Macau) became an indirect wholly-owned subsidiary of our Company.

THE [REDACTED] AND THE [REDACTED]

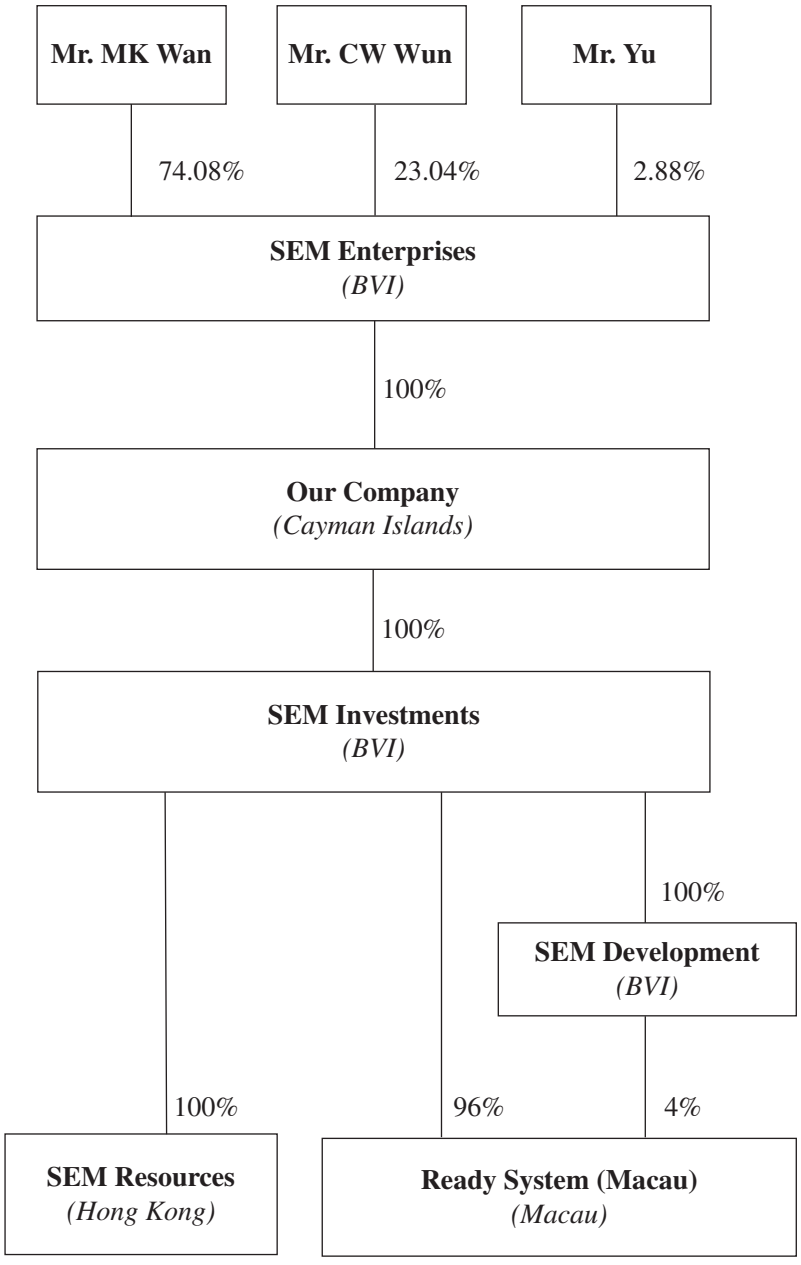
We will offer the **[REDACTED]** for subscription at the **[REDACTED]**. Conditional upon the crediting of our Company's share premium account as a result of the allotment and issue of the **[REDACTED]** pursuant to the **[REDACTED]**, our Directors are authorised to capitalise an amount of HK$**[REDACTED]** standing to the credit of the share premium account of our Company by applying such sum towards the paying up in full at par of **[REDACTED]** Shares for allotment and issue to SEM Enterprises.

OUR GROUP STRUCTURE

Set out below is a diagram showing the shareholding structure of our Group immediately before the Reorganisation:

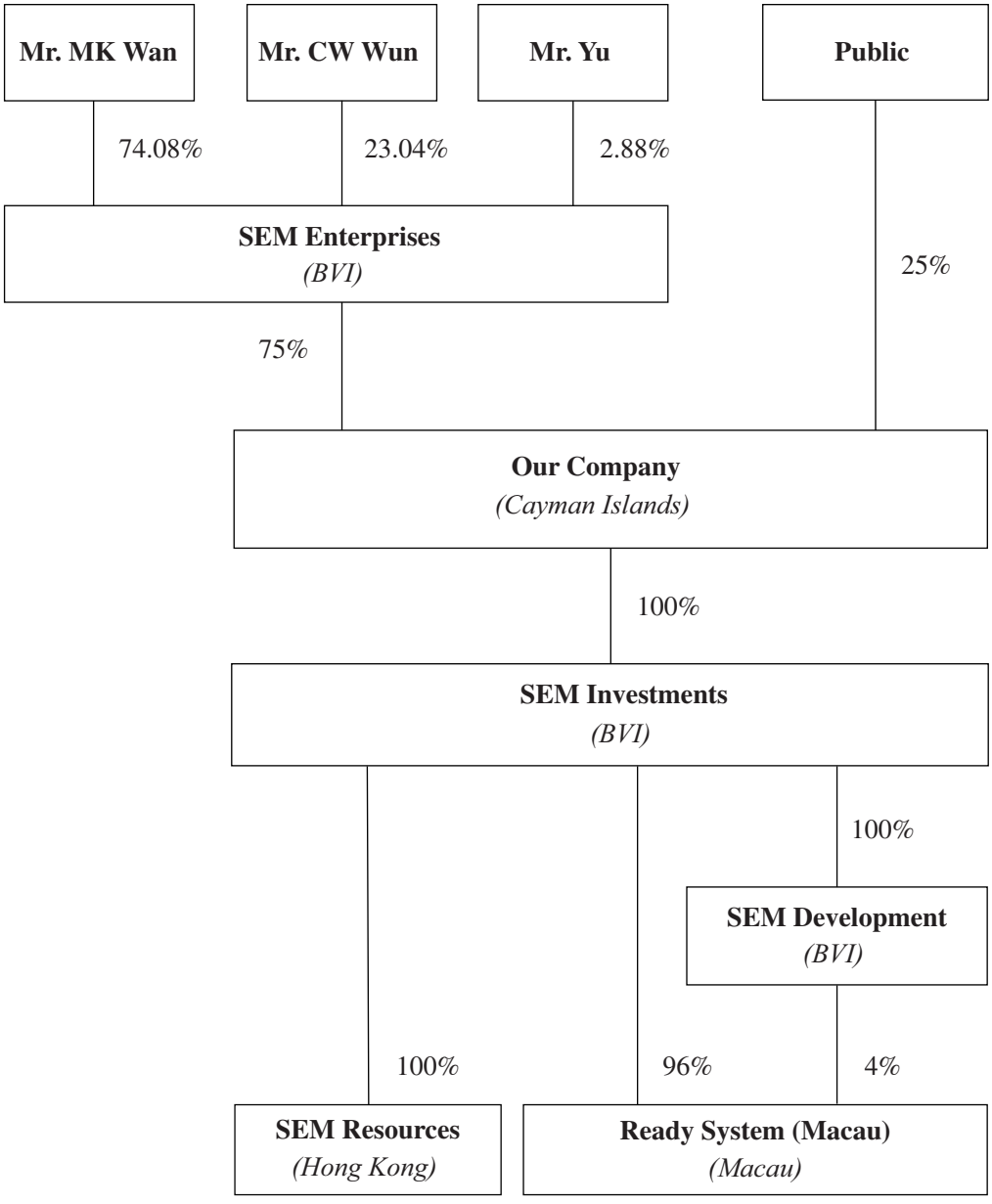


The following diagram shows the shareholding and our corporate structure immediately after completion of the Reorganisation, as at 1 January 2016 (being the commencement date of the Track Record Period), as at the Latest Practicable Date and immediately before completion of the **[REDACTED]** and the **[REDACTED]**:



Note: From 8 January 2016 to 24 December 2018, our Company was owned as to 90% by SEM Enterprises, as to 6.5% by Convoy Collateral Limited and as to 3.5% by DRL Capital. Both Convoy Collateral Limited and DRL Capital are Independent Third Parties. For details, please refer to the paragraph headed "Overview – Our corporate history – Our Company" in this section.

The following diagram illustrates the shareholding and our corporate structure immediately following the completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]** or any options that may be granted under the Share Option Scheme):



BUSINESS OVERVIEW

Founded in 2006, we are an established E&M engineering works contractor in Macau with our focus on providing electrical-related E&M engineering works. During the Track Record Period, the scope of our E&M engineering works mainly consisted of supply, installation and maintenance of electrical system, for new and existing buildings in the projects of commercial and residential development, hotel development, casino development and hotel renovation in Macau. All our revenue was derived from Macau during the Track Record Period.

The following table sets forth the breakdown of our revenue attributable to the provision of E&M engineering works during the Track Record Period by property type:

	FY2016		FY2017		FY2018		7M2018		7M2019	
	MOP'000	*%*	*MOP'000*	*%*	*MOP'000*	*%*	*MOP'000* (unaudited)	*%*	*MOP'000*	*%*
Hotels and casino	101,747	72.9	116,707	56.1	89,960	48.6	60,431	51.0	77,665	70.6
Residential properties	1,320	0.9	1,067	0.5	4,350	2.4	168	0.1	6,648	6.0
Commercial properties	31,722	22.7	90,139	43.4	89,727	48.4	57,932	48.8	24,002	21.8
Others	4,897	3.5	–	–	1,192	0.6	112	0.1	1,729	1.6
Total	139,686	100.0	207,913	100.0	185,229	100.0	118,643	100.0	110,044	100.0

We provided our E&M engineering works in Macau through Ready System (Macau) which has registered with the DSSOPT as a registered contractor for execution of construction works (實施工程), and were generally engaged as a subcontractor or sub-subcontractor. As such, our customers were generally the main contractors or the E&M engineering works subcontractors in the relevant development and renovation projects in Macau.

Our suppliers during the Track Record Period generally included suppliers of electrical parts and components such as cable containments, distribution boards, light fittings and wire accessories, and we also engaged our subcontractors to carry out those relatively more labour intensive installation works or works required specific skill sets, as well as to provide general labour support.

During the Track Record Period, while our projects were at various scales, major part of our revenue was attributable to the large scale projects, i.e. Projects P1 to P10. Approximately 77.1%, 94.5%, 85.2% and 56.6% of our revenue in FY2016, FY2017, FY2018 and 7M2019 were attributable to our projects each with recognised revenue of more than MOP10 million (MOP6 million for 7M2019) to us for the same periods, respectively. The initial contract sum of each of Projects P1 to P9 is over MOP10 million and in particular, the initial contract sum of each of Projects P1 and P2 is over MOP100 million. For further information of Projects P1 to P10, please refer to the subsection headed "Our projects" in this section.

During the Track Record Period, nearly all our E&M engineering works were provided for private sector projects, while we had only five public sector projects, with their revenue recognised in FY2016, FY2018 and 7M2019 at approximately MOP4.9 million, MOP255,000 and MOP367,000, respectively.

In FY2016, FY2017, FY2018 and 7M2019, our revenue amounted to approximately MOP139.7 million, MOP207.9 million, MOP185.2 million and MOP110.0 million, respectively. According to the Frost & Sullivan Report, our revenue attributable to E&M engineering works in Macau in FY2018 represented approximately 1.6% of the total revenue generated from the entire E&M engineering industry in 2018 in Macau, and ranked fifth among the E&M engineering works contractors in Macau in terms of share of total industry revenue in 2018.

During the Track Record Period, we had completed 30 projects. As at 31 July 2019, we had 20 on-going projects (either in progress or yet to commence). After 31 July 2019 and up to the Latest Practicable Date, we had completed two further projects and five new projects had been awarded. As at the Latest Practicable Date, we had 23 on-going projects (either in progress or yet to commence). Our Directors expect that these on-going projects will contribute revenue to us of approximately MOP85.1 million for the remaining five months ended 31 December 2019, approximately MOP157.9 million in FY2020 and approximately MOP74.2 million in FY2021. These on-going projects are expected to be completed by FY2021.

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our continued success and potential for growth:

We are an established E&M engineering works contractor in Macau

We were founded in 2006 and have been operating for more than ten years. We commenced our business by providing E&M engineering works in a casino development project in 2006. In 2007, we started to provide E&M engineering works in commercial and residential development projects. In 2015, Ready System (Macau) duly registered with the DSSOPT as a registered contractor for execution of construction works in Macau. With this qualification, Ready System (Macau) is able to act as a main contractor in construction projects. Our Directors believe that our registration with the DSSOPT has broadened our customer base and will continue to bring business opportunities to us in the future.

According to the Frost & Sullivan Report, our revenue attributable to E&M engineering works in Macau in FY2018 represented approximately 1.6% of the total revenue generated from the entire E&M engineering industry in 2018 in Macau, and ranked fifth among the E&M engineering works contractors in Macau in terms of share of total industry revenue in 2018.

Based on our internal records, in FY2016, FY2017, FY2018 and 7M2019, we submitted 12, 36, 99 and 57 quotations/tenders to our customers (excluding quotations in relation to variation orders), respectively and had been awarded 2, 10, 37 and 23 projects. As at the Latest Practicable Date, we had submitted 77 quotations/tenders but pending result of whether they will be awarded, and the total contract sum of them was approximately MOP548.3 million. For details of our success rates, please refer to the paragraph headed "Business model and our operation – Quotation/tender submission and acceptance" in the document. During the Track Record Period, we had completed 30 projects. As at 31 July 2019, we had 20 on-going projects (either in progress or yet to commence). After 31 July 2019 and up to the Latest Practicable Date, we had completed two further projects and five new projects had been awarded. As at the Latest Practicable Date, we had 23 on-going projects (either in progress or yet to commence). Our Directors expect that these on-going projects will contribute revenue to us of approximately MOP85.1 million for the remaining five months ended 31 December 2019, approximately MOP157.9 million in FY2020 and approximately MOP74.2 million in FY2021. These on-going projects are expected to be completed by FY2021.

According to the Frost & Sullivan Report, it is expected that the revenue of the E&M engineering industry in Macau would reach approximately HK$18.1 billion in 2023, growing at a CAGR of approximately 9.3% from 2019 to 2023.

We believe our proven track records that we are able to identify and capture the future growth opportunities in the E&M engineering industry in Macau.

In view of our long operating history, reputation and proven track record, our Directors consider that we are an established E&M engineering works contractor in Macau.

We have established relationships with our top five customers, top five suppliers and top five subcontractors

As at the Latest Practicable Date, we have established business relationships with our top five customers since the year ranging from 2007 to 2019.

Our top five customers, Customers A1 and A2, had been working with us since 2015 and 2007, respectively, who awarded us the Projects P1 and P2 respectively, the initial contract sum of each is over MOP100 million. Further, one of our top five customers, Customer B, had been working with us since 2014, who awarded us the Projects P3 and P4, with the initial contract sum at approximately MOP75 million and MOP30 million, respectively. Further, Project P13 with initial contract sum of approximately MOP168.8 million was awarded by Customer A2 in May 2019 and a new Project P15 with initial contract sum of approximately MOP82.6 million was awarded by Customer L in October 2019. For further information of our projects, please refer to the subsection headed "Our projects" in this section.

According to the Frost & Sullivan Report, proven track record, extensive experience combined with deep industry knowledge and expertise, sound reputation and sufficient capital flow are the keys to securing contracts and businesses in the E&M engineering industry. Credible providers tend to get repetitive businesses from the major developers and main contractors since historical partnerships are highly valued when selecting subcontractors.

In view of the aforesaid, our Directors consider that our long term relationships with our top five customers also demonstrate our capability in providing high quality works and completing projects on time and within budget, which enable us to maintain our clientele base and attract new customers, and cannot be easily replicated by our competitors.

During the Track Record Period, our top five suppliers consisted of suppliers of electrical parts and components such as cable containments, distribution boards, light fittings and wire accessories, while our top five subcontractors generally E&M engineering companies providing to us certain electrical installation works, certain works which required specific skill sets, certain plumbing works and general labour support. As at the Latest Practicable Date, our top five suppliers and top five subcontractors had been working with us since the year ranging from 2007 to 2017. Our Directors believe that our established relationships with our top five suppliers and top five subcontractors have been and will continue to be our valuable assets enabling us to take up projects of various scales and service scopes and fulfil our customers' requirements.

We have an experienced and dedicated management team

We have an experienced and dedicated management team with extensive knowledge of the E&M engineering industry and project management experience in the services that we provide. Our executive Directors and senior project managers have an average industry experience of greater than approximately 20 years. Most integral to the success of our Group is Mr. MK Wan, our founder, Chairman and non-executive Director, who has over 25 years of experience in the E&M engineering industry and has facilitated our Group to establish long term relationships with our customers, suppliers and subcontractors. Further, Mr. Woo, our executive Director and chief executive officer, Mr. Yu, our executive Director and senior project manager, and Mr. Wong Man Wai Thomas, our assistant project manager, all have over 20 years of experience in the E&M engineering industry. For details of the profile of our management team, please refer to the section headed "Directors, senior management and staff" in the document.

Under the leadership of our management team, we have built up our capacity, expanded our scope of services and enhanced our market presence. The broad know-how and industry knowledge acquired and accumulated over the years by our management team have and will continue to be beneficial to our business and prospects.

BUSINESS STRATEGIES

Our objective is to achieve sustainable growth in our business in Macau by implementing the business strategies of (i) strengthening our financial position to undertake more sizeable E&M engineering projects; (ii) establishing an E&M maintenance department; and (iii) strengthening our manpower. For further details of our business strategies, please refer to the paragraph headed "Future plans and **[REDACTED]** – Business strategies" in the document.

OUR E&M ENGINEERING WORKS

E&M engineering (while they may also be referred to as building services engineering) is about the design, installation, operation, monitoring and maintenance of the technical services in various buildings and structures to ensure safe, comfortable and environmentally friendly operation.

E&M engineering works encompass numerous aspects such as energy supply system (e.g. gas and electricity), escalator and lift, heating system, ventilation system, air conditioning system, low voltage system, distribution board and switchboard, communication lines system (e.g. telephones and cables), building automation system, lightning protection system, fire detection and protection system, security and alarm system, and plumbing and drainage system.

With our focus on providing electrical-related E&M engineering works, during the Track Record Period, the scope of our E&M engineering works mainly consisted of supply, installation and maintenance of electrical system, for new and existing buildings in the projects of commercial and residential development, hotel development, casino development and hotel renovation in Macau.

BUSINESS MODEL AND OUR OPERATION

As revealed by the Frost & Sullivan Report, the employers of construction projects in Macau will in most situations engage main contractors to be responsible for the overall administration and supervision of all construction works involved in the construction projects. The main contractors will not carry out all the construction works themselves and will delegate specific works, such as E&M engineering works, to different subcontractors.

As revealed by the Frost & Sullivan Report, it is a common practice of the construction industry in Macau for the main contractors to outsource parts of construction projects to subcontractors because: (i) the subcontractors can perform the same work for lower costs; (ii) the main contractors do not have the expertise in certain area; (iii) the main contractors need the subcontractors to share the project workload due to the large project size and tight deadline; and/or (iv) the main contractors do not have the requisite qualifications to tender for the projects.

Depending on the internal resources level, cost effectiveness and level of works complexity, the E&M engineering works subcontractors may further delegate certain parts of the E&M engineering works (such as electrical-related E&M engineering works), or particular steps (such as installation, testing and commissioning or maintenance), of the entire or certain portions of the E&M engineering works to the sub-subcontractors.

According to the Frost & Sullivan Report, construction projects can be classified as either the public sector projects or the private sector projects. Public sector projects refer to projects commissioned by the Macau Government, while private sector projects refer to projects commissioned by individuals, privately owned property development companies and commercial enterprises. During the Track Record Period, nearly all our E&M engineering works were provided for private sector projects, while we had only five public sector projects, with their revenue recognised in FY2016, FY2018 and 7M2019 at approximately MOP4.9 million, MOP255,000 and MOP367,000, respectively.

We provided our E&M engineering works through Ready System (Macau) in Macau, and were generally engaged as a subcontractor or sub-subcontractor. As such, our customers were generally the main contractors or the E&M engineering works subcontractors in the relevant development and renovation projects in Macau.

Our E&M engineering works are carried out with different specifications to fulfill our customers' needs and site conditions which are different from project-to-project, and therefore the actual project duration and complexity also vary from project-to-project.

During the Track Record Period, we secured new businesses through direct invitation to submit quotation/tender by our customers. Whether it was by way of quotation or tender, it is a matter of form chosen by our customers, and nevertheless involved similar operation procedures.

To the best knowledge of our Directors, our customers will most likely invite more than one subcontractors to submit quotation/tender for them to choose in order to engage the subcontractor who can provide quality works with competitive price. There is no assurance that our customers will award us projects for every quotation/tender we submit. We must face competitors. For contractor with similar reputation and track records with us, in the event that it offers a more competitive price than our tendered price or quotation for the same project, such project may be awarded to them. On the other hand, if we reduce our tendered price or quotation in order to increase our competitiveness against our competitors, even though the project is awarded to us, we may face a downward pressure on our profit margin.

We adopt a pro-active mode in our projects procurement strategy. We explore and utilise every opportunity to secure new projects for our Group. Upon receiving invitation to submit quotation/tender from our customers (with or without existing business relationships), it is our policy to reply with our quotations/tenders rather than rejecting their requests.

The following pattern illustrates the work-flow of our typical E&M engineering works project:

Description	**Duration** *(Note)*
Quotation/tender submission and acceptance	Generally three months
Project implementation	Generally two weeks to three months
Installation, testing and commissioning	Generally 12 to 24 months
Defect liability period	Generally 12 to 24 months

Note: The length of time is for general reference only. The actual duration shall depend on various factors including, among others, the contract size and customers' work schedule.

Quotation/tender submission and acceptance

The invitation to submit quotation/tender from our customers is by way of email, phone or letter, and is accompanied with the necessary information and documents for us to prepare the quotation/tender including, among others, project background, description of works, site information, materials and specifications, drawings, and/or schedules. Our tendering department, headed by our executive Directors, is responsible to prepare and submit the quotation/tender. For details of our pricing policy, please refer to the paragraph headed "Sales and marketing – Pricing policy" in this section.

Our quotation/tender contains the bill of quantities or schedule of rates which sets out the fee in relation to each work task to be carried out. Besides, our quotation/tender also contains the schedule of materials, our job references, proposed work schedule and/or proposed contract terms, depending on our customers' request.

After we submit our quotation/tender, negotiation with our customers on the prices and terms, interview with customers and/or dealing with customers' enquiries are to be carried out.

If our quotation/tender is accepted by our customers, a written letter of intent is to be issued by our customers, which sets out the agreed contract terms with our customers including, among others, project description, scope of work, agreed bill of quantities or schedule of rates, terms of payment and defect liability period. For details of our major contract terms with our customers, please refer to the paragraph headed "Our customers – Major contract terms with our customers" in this section.

During the Track Record Period, while our projects were at various scales, major part of our revenue was attributable to the large scale projects, i.e. Projects P1 to P10. Approximately 77.1%, 94.5%, 85.2% and 56.6% of our revenue in FY2016, FY2017, FY2018 and 7M2019 were attributable to our projects each with recognised revenue of more than MOP10 million (MOP6 million for 7M2019) to us for the same periods, respectively. The initial contract sum of each of Projects P1 to P9 is over MOP10 million and in particular, the initial contract sum of each of Projects P1 and P2 is over MOP100 million. For further information of Projects P1 to P10, please refer to the subsection headed "Our projects" in this section.

The following table sets forth the number of quotations/tenders submitted, the number of quotations/tenders accepted by our customers and our success rate during the Track Record Period:

	FY2016	FY2017	FY2018	7M2019
Number of quotations/ tenders submitted	12	36	99	57
Number of quotations/ tenders accepted	2	10	37	23
Number of quotations/ tenders rejected	10	26	34	15
Number of quotations/ tenders pending reply	Nil	Nil	28	19
Success rate *(Note)*	16.7%	27.8%	37.4%	40.4%

Note: Success rate for a financial year is calculated based on the number of quotations/tenders accepted (whether accepted in the same financial year or subsequently) in respect of the quotations/tenders submitted during that financial year.

Our Directors' analysis of the fluctuation of the quotations/tenders success rate during the Track Record Period is as follows:

– In FY2016, since we have already been awarded Project P2 with the initial contract sum at approximately MOP138.7 million in late 2015 and Project P1 with the initial contract sum at approximately MOP120.6 million in mid-2016, to avoid excessive workload and in view of the burden to satisfy the upfront cost and performance bond requirements of these two sizable projects, we had to adopt a conservative approach in the bidding process resulting a decrease in quotations/tenders success rate.

– In FY2017, after approximately half to one year of operation of Projects P1 and P2, the upfront costs incurred was gradually set-off by the progress payments, therefore we are able to work on new projects. Nevertheless, given Projects P1 and P2 were on-going in full swing, to avoid excessive workload, we only focus on bidding the boutique projects while continued to remain conservative in bidding sizable projects. Besides Project P6, the initial contract sum of other awarded projects with quotations/tenders submitted in FY2017 was below MOP1 million.

– In FY2018, since Projects P1 and P2 gradually approached to completion, we resume our pro-active mode in our bidding strategy in sizable projects but not only boutique projects. In particular, among the 37 projects awarded (i) Project P13 with the initial contract sum of approximately MOP168.8 million was awarded by Customer A2 in May 2019; and (ii) the initial contract sum of nine projects awarded was between MOP1 million and MOP10 million.

– We will continue our pro-active mode in our bidding strategy in FY2019. In 7M2019 and after the Track Record Period up to the Latest Practicable Date, for those quotations/tender submitted within these periods, 23 projects in total were awarded to us. Among these 23 projects (i) Project P14 with the initial contract sum of approximately MOP10.6 million was awarded in May 2019; and (ii) the initial contract sum of six projects awarded was between MOP1 million and MOP10 million.

Project implementation

Forming project team

Once we are awarded with a project, we will form a project team which normally comprise a project manager, site supervisor and engineer. The size of our project team depends on the complexity and scale of the project, and any additional requirements requested by our customer. Our project team is responsible to handle the project and to ensure the works are in conformity to the contractual specifications and the project is completed on time and within budget. It will also regularly report to our executive Directors the project progress and status.

Preparing and submitting, among others, working drawing and detailed work programme

After we are awarded with a project, we will commence the preparation of, among others, working drawings and detailed work programme to the representatives of the customers and/or main contractors and/or the project employers for approval. The working drawings shall illustrate the works and the manner in which they are to be carried out or the requirements laid down in the specifications. The detailed work programme shall show the periods required for different kinds and stages of the works, as well as times for delivery of materials and machines to site, and testing of the works, and shall be revised from time to time to suit the main contractor's programme.

Engaging imported workers and subcontractors

As soon as we are awarded with a project, we will select our suitable subcontractors from our internal approved list of subcontractors to carry out those relatively more labour intensive installation works or works required specific skill sets, as well as to provide general labour support. For details of our major contract terms with our subcontractors, please refer to the paragraph headed "Our subcontractors – Major contract terms with our subcontractors" in this section.

We will also select and nominate imported workers from the PRC from our internal approved list of imported workers to our customers and/or the main contractors for the allocation of the imported labour quota. Upon the acceptance of our customers and/or the main contractors, they will employ those imported workers and apply to the relevant Macau authority for them as the imported labour, and then delegate them to work for us for the relevant projects, while we shall bear all the relevant cost incurred such as their salaries and insurance expenses, which is recognised as our subcontracting cost.

Therefore, during the Track Record Period, a majority of our subcontractors was also our customers and a majority of subcontracting cost was attributable to the engagement of these imported workers from the PRC. For further details, please refer to the paragraph headed "Our subcontractors – Imported workers" in this section.

All these imported workers and our subcontractors are under supervision of and management by our project team.

Procuring electrical parts and components and renting machines and equipment

The electrical parts and components that we purchased generally consist of cable containments, distribution boards, light fittings and wiring accessories. At the outset of our E&M engineering works, we will consider the types and quantities of electrical parts and components we need throughout the projects. We place orders for electrical parts and components from time to time to ensure its level is sufficient at the project sites to meet the estimated demand according to the work schedules. The electrical parts and components we purchased are delivered by our suppliers to the project sites directly. Due to the limited space available for storage on-site, we generally do not keep excess electrical parts and components.

Our E&M engineering works require use of machines and equipment. Our major machines and equipment are aluminum scaffold working platforms and scissor electrical platforms, all of which are rented from our third party suppliers.

Satisfying performance bond requirements

Our customers may require us to acquire performance bonds for the relevant project, which generally amount to approximately 10% of the initial contract sum of the relevant project. The performance bonds will be released after the defect liability period.

During the Track Record Period and up to the Latest Practicable Date, there were nine projects from our customers of which had imposed performance bond requirements as follows:

Project[(Note)]	**Initial contract sum** *(MOP'000)*	**Amount of performance bond** *(MOP'000)*	**Approximate percentage**
P1	120,594	12,059	10%
P3	75,352	10,000	13.3%
P4	30,100	3,010	10%
P6	44,640	4,800	10.8%
S1	17,240	2,586	15%
S12	2,300	345	15%
P13	168,842	16,884	10%
P14	10,562	1,056	10%
P15	82,586	8,259	10%

Note: For further information of these projects, please refer to the subsection headed "Our projects" in this section.

Installation, testing and commissioning

Progress payment and certification

In general, we do not receive any sums as prepayment and only receive progress payments from our customers.

We receive progress payment from our customers pursuant to the contract. In general, for every one month, we prepare a statement setting out our estimate of the value of the works completed in the preceding month and submit the statement together with the payment application to our customers. Upon receiving such statement with our payment application, our customers shall assess our estimation and issue an interim certificate certifying the works completed in the preceding month. Our customers will then make payment based on the certified amount less any retention money. Payments will generally be made by our customers to us on "pay when paid" basis, in the sense that our customers will only make payment to us after they have received their progress payments from the main contractors or project employers, as the case may be. In general, payments will be made within 30 days from the date of the receipt of progress payments by our customers.

The amount of retention money being retained is generally agreed to be approximately 10% of the certified amount until the total amount of retention money reaches approximately 5% of the contract sum which is the maximum amount to be retained.

Payment is usually made by way of cheque or bank transfer in MOP.

The above mechanism is also similar to our progress payment to our subcontractors. For each calendar month, our subcontractors shall submit payment application to us, which shall contain the quantity of completed works certified by our site supervisor.

Upon receiving such payment application, we shall assess and certify the amount to be paid and make payment based on the certified amount less any retention money. Payments will generally be made to our subcontractors on "pay when paid" basis, in the sense that we will only make payment to our subcontractors after we have received our progress payments from our customers. In general, payments will be made within 14 to 21 days from the date of our receipt of progress payments from our customers.

Payment is usually made by way of cheque in MOP.

Re-measurement and variation order

In general, our contract sum is a fixed price lump sum and shall be inclusive of all the cost and expenses that will be or are necessary to be incurred by us to complete our obligations under the contract.

In some projects, the relevant schedule of rates contains provisional items which refer to estimations of the required quantities for the execution of work or the provision of materials or goods and are not conclusive and final and are subject to adjustment, increase, reduction or cancellation. If they are required during the project, such work or the provision of materials or goods shall be re-measured for the actual quantities and paid for the rate agreed under the relevant schedule of rates. If they are not required during the project, the relevant prices included in the contract sum shall be deducted accordingly.

Besides, our customers may issue instructions ordering a variation to the works under the contracts, which could include alteration or modification of the design, quality or quantity of the works, addition, omission or substitution of any works, and alteration of the kind or standard of any of the materials or goods to be used for the works.

If the work for variation is the same as or similar in character to and is carried out under same or similar conditions to work prescribed in the contract, the valuation of the same shall be made in accordance with the prices in the schedule of rates under the contract. If there is no equivalent or similar contract unit rate in the schedule of rates for valuation, we are required to submit new unit rates with breakdowns for approval.

Adjustment to contract sum is generally not available for rises or falls in the cost of labour and materials or exchange rates of currencies.

Testing and commissioning

After installation, site acceptance test will be carried out on the electrical system installed to ensure conformity to contractual specifications. Representatives from our customer, main contractor and/or the project employer will participate in the site acceptance test.

Practical completion, extension of time and duration of our projects

Upon the fulfilment of all requisite acknowledgement(s)/consent(s)/certificate(s) on completion of works for our project have been issued by the relevant Macau Government authorities and the works under the contract have been completed to the satisfaction of our customer, our project is considered to reach the practical completion. Upon the practical completion, part of the retention money being retained will be released to us.

Actual duration of our projects, which refer to the period from date of commencement as stated in the contract to the date of practical completion certificate, generally in average ranging from three months to 24 months, are affected by a wide range of factors, including but not limited to project scale, technical complexity, conditions of the site, input of machineries and labour, expectation of our customers and amount of variation orders.

The project duration and completion time of a project is usually stated in the relevant contract. In general, failure to complete on time will result in liquidated damages against us calculated according to an agreed daily rate under the contract. Nevertheless, if the progress of the works is likely to be delayed due to certain situations as stipulated under the contract such as force majeure, variation orders and discovery of antiquities on the site, our customers shall estimate the length of the delay and make a fair and reasonable extension of time for completion of the works.

Defect liability period

We are required to make good any defects at our own cost within the defect liability period, which is generally 12 to 24 months after the practical completion. After we have made good the defect to our customers' satisfaction, the residue of the retention money being retained will be released to us and the performance bond (if any) will also be released.

OUR PROJECTS

During the Track Record Period, we had completed 30 projects. As at 31 July 2019, we had 20 on-going projects (either in progress or yet to commence). After 31 July 2019 and up to the Latest Practicable Date, we had completed two further projects and five new projects had been awarded. As at the Latest Practicable Date, we had 23 on-going projects (either in progress or yet to commence). Our Directors expect that these on-going projects will contribute revenue to us of approximately MOP85.1 million for the remaining five months ended 31 December 2019, approximately MOP157.9 million in FY2020 and approximately MOP74.2 million in FY2021. These on-going projects are expected to be completed by FY2021.

The following three tables summarise our projects with recognised revenue in FY2016, FY2017 and FY2018 in descending order:

FY2016

Rank	Project	Customer	Sector	Type	Initial contract sum *(MOP'000)*	Latest contract sum *(Note 1)* *(MOP'000)*	Commencement date	Actual/ expected completion date	Status as at the Latest Practicable Date *(Note 2)*	Revenue *(MOP'000)*	Approximate % of our revenue
1	P1	Customer A1	Private	Maintenance, supply and installation of fitting out, electrical, mechanical ventilation and air conditioning and plumbing works in a hotel renovation project at Avenida da Amizade, Macau	120,594	144,785	July 2016	First quarter of 2020	On-going	30,435	21.8%
2	P2	Customer A2	Private	Installation and supply of electrical system in a residential and commercial development project at Taipa, Macau	138,680	172,551	February 2016	First quarter of 2020	On-going	30,094	21.5%
3	P3	Customer B	Private	Installation and supply of electrical system in a casino and hotel development project at Cotai, Macau	75,352	111,150	May 2015	First quarter of 2020	On-going	28,779	20.6%
4	P4	Customer B	Private	Installation and supply of electrical system in a hotel renovation project at Avenida do Dr. Rodrigo Rodrigues, Macau	30,100	41,115	January 2014	September 2018	Completed	18,450	13.2%

Rank	Project	Customer	Sector	Type	Initial contract sum *(MOP'000)*	Latest contract sum *(Note 1)* *(MOP'000)*	Commencement date	Actual/ expected completion date	Status as at the Latest Practicable Date *(Note 2)*	Revenue *(MOP'000)*	Approximate % of our revenue
5	S1	Customer D	Private	Installation and supply of electrical system in a casino and hotel development project at Cotai, Macau	17,240	17,252	May 2015	March 2019	Completed	9,395	6.7%
6	P5	Customer E	Private	Installation and management of electrical system in a casino and hotel development project at Cotai, Macau	27,612	27,633	November 2015	January 2019	Completed	8,286	5.9%
7	S2	An unincorporated joint operation engaging in E&M engineering works, 55% interest of which is being held by a company listed in Hong Kong, while the remaining 45% interest is held by Customer H	Private	Installation and supply of electrical system in a casino and hotel development project at Cotai, Macau	10,540	10,458	November 2015	May 2017	Completed	4,797	3.4%
8	S3	Customer C	Public	Electrical installation, and plumbing and drainage works for a public road in Macau	2,162	2,162	October 2015	March 2016	Completed	2,162	1.5%
9	S4	Customer C	Public	Electrical installation, and plumbing and drainage works for a public road and slope in Macau	1,901	1,901	November 2015	January 2018	Completed	1,806	1.3%

Rank	Project	Customer	Sector	Type	Initial contract sum *(MOP'000)*	Latest contract sum *(Note 1)* *(MOP'000)*	Commencement date	Actual/ expected completion date	Status as at the Latest Practicable Date *(Note 2)*	Revenue *(MOP'000)*	Approximate % of our revenue
10	S5	Customer A2	Private	Miscellaneous electrical works for a shopping mall and office building at Avenida de Almeida Ribeiro, Macau	1,100	1,858	June 2016	January 2017	Completed	1,628	1.2%
Others	Eight projects involving supply, installation and/or maintenance of electrical systems, and/or miscellaneous E&M engineering works, each with recognised revenue of less than MOP1 million in FY2016									3,854	2.9%
									Total *(Note 3)*:	139,686	100.0%

Notes:

1. The latest contract sum as revised due to variation and supplemental orders, as the case may be.
2. Project described as "completed" means that the relevant project has achieved practical completion.
3. The figures and percentages above may not add up to the total due to rounding.

FY2017

Rank	Project	Customer	Sector	Type	Initial contract sum *(MOP'000)*	Latest contract sum *(Note 1)* *(MOP'000)*	Commencement date	Actual/ expected completion date	Status as at the Latest Practicable Date *(Note 2)*	Revenue *(MOP'000)*	Approximate % of our revenue
1	P2	Customer A2	Private	Installation and supply of electrical system in a residential and commercial development project at Taipa, Macau	138,680	172,551	February 2016	First quarter of 2020	On-going	89,471	43.0%
2	P1	Customer A1	Private	Maintenance, supply and installation of fitting out, electrical, mechanical ventilation and air conditioning and plumbing works in a hotel renovation project at Avenida da Amizade, Macau	120,594	144,785	July 2016	First quarter of 2020	On-going	56,445	27.2%
3	P3	Customer B	Private	Installation and supply of electrical system in a casino and hotel development project at Cotai, Macau	75,352	111,150	May 2015	First quarter of 2020	On-going	36,953	17.8%
4	P5	Customer E	Private	Installation and management of electrical system in a casino and hotel development project at Cotai, Macau	27,612	27,633	November 2015	January 2019	Completed	13,751	6.6%
5	S1	Customer D	Private	Installation and supply of electrical system in a casino and hotel development project at Cotai, Macau	17,240	17,252	May 2015	March 2019	Completed	5,643	2.7%

Rank	Project	Customer	Sector	Type	Initial contract sum *(MOP'000)*	Latest contract sum *(Note 1)* *(MOP'000)*	Commencement date	Actual/ expected completion date	Status as at the Latest Practicable Date *(Note 2)*	Revenue *(MOP'000)*	Approximate % of our revenue
6	S6	Customer F	Private	Installation and management of electrical system in a casino and hotel development project at Cotai, Macau	6,871	6,871	April 2016	First quarter of 2020	On-going	2,135	1.0%
7	P4	Customer B	Private	Installation and supply of electrical system in a hotel renovation project at Avenida do Dr. Rodrigo Rodrigues, Macau	30,100	41,115	January 2014	September 2018	Completed	1,671	0.8%
8	S7	Customer A2	Private	Installation of electrical and extra-low voltage system in the commercial and residential development at Avenida Dr. Sun Yat-Sen, Macau	44,116	58,631	June 2014	September 2017	Completed	1,067	0.5%
Others	Three projects involving supply, installation and/or maintenance of electrical systems, and/or miscellaneous E&M engineering works, each with recognised revenue of less than MOP1 million in FY2017									777	0.4%
									Total *(Note 3)*:	207,913	100.0%

Notes:

1. The latest contract sum as revised due to variation and supplemental orders, as the case may be.
2. Project described as "completed" means that the relevant project has achieved practical completion.
3. The figures and percentages above may not add up to the total due to rounding.

FY2018

Rank	Project	Customer	Sector	Type	Initial contract sum *(MOP'000)*	Latest contract sum *(Note 1)* *(MOP'000)*	Commencement date	Actual/ expected completion date	Status as at the Latest Practicable Date *(Note 2)*	Revenue *(MOP'000)*	Approximate % of our revenue
1	P2	Customer A2	Private	Installation and supply of electrical system in a residential and commercial development project at Taipa, Macau	138,680	172,551	February 2016	First quarter of 2020	On-going	45,291	24.5%
2	P6	Customer C	Private	Installation and supply of electrical system in a casino and hotel development project at Cotai, Macau	44,640	47,286	March 2018	July 2019	Completed	41,702	22.5%
3	P3	Customer B	Private	Installation and supply of electrical system in a casino and hotel development project at Cotai, Macau	75,352	111,150	May 2015	First quarter of 2020	On-going	31,351	16.9%
4	P1	Customer A1	Private	Maintenance, supply and installation of fitting out, electrical, mechanical ventilation and air conditioning and plumbing works in a hotel renovation project at Avenida da Amizade, Macau	120,594	144,785	July 2016	First quarter of 2020	On-going	15,376	8.3%

Rank	Project	Customer	Sector	Type	Initial contract sum *(MOP'000)*	Latest contract sum *(Note 1)* *(MOP'000)*	Commencement date	Actual/ expected completion date	Status as at the Latest Practicable Date *(Note 2)*	Revenue *(MOP'000)*	Approximate % of our revenue
5	P7	Customer D	Private	Installation and supply of electrical system in a casino and hotel development project at Cotai, Macau	12,851	12,851	April 2018	August 2018	Completed	12,851	6.9%
6	P8	Customer B	Private	Installation and supply of electrical system for fire safety in a casino and hotel development project at Cotai, Macau	19,213	19,213	June 2018	July 2019	Completed	11,311	6.1%
7	P5	Customer E	Private	Installation and management of electrical system in a casino and hotel development project at Cotai, Macau	27,612	27,633	November 2015	January 2019	Completed	5,148	2.8%
8	S8	Customer A2	Private	Modification and maintenance of the existing electrical and extra-low voltage installation in a residential development at NAPE, Macau	6,372	6,372	October 2018	June 2019	Completed	3,588	1.9%
9	S6	Customer F	Private	Installation and management of electrical system in a casino and hotel development project at Cotai, Macau	6,871	6,871	April 2016	First quarter of 2020	On-going	3,391	1.8%

Rank	Project	Customer	Sector	Type	Initial contract sum *(MOP'000)*	Latest contract sum *(Note 1)* *(MOP'000)*	Commencement date	Actual/ expected completion date	Status as at the Latest Practicable Date *(Note 2)*	Revenue *(MOP'000)*	Approximate % of our revenue
10	S9	A Macau engineering company engaging in E&M installation and public works, with business relationships with us since 2018 ("**Customer G**")	Private	Installation and supply of electrical system in a casino and hotel development project at Cotai, Macau	5,642	4,549	June 2018	March 2019	Completed	3,251	1.8%
11	S10	A Macau engineering company engaging in construction and E&M engineering works and renovation works, with business relationships with us since 2016 ("**Customer I**")	Private	Installation and supply of electrical system in a casino and hotel development project at Cotai, Macau	3,463	3,717	July 2018	March 2019	Completed	3,104	1.7%
12	P10	Customer B	Private	Supply and installation of electrical system in a casino development project at Cotai, Macau	9,500	11,128	August 2018	First quarter of 2020	On-going	2,628	1.4%
13	S11	Customer C	Private	Installation and supply of electrical system in a casino and hotel development project at Cotai, Macau	1,181	1,181	April 2018	March 2019	Completed	1,129	0.6%

Rank	Project	Customer	Sector	Type	Initial contract sum *(MOP'000)*	Latest contract sum *(Note 1)* *(MOP'000)*	Commencement date	Actual/ expected completion date	Status as at the Latest Practicable Date *(Note 2)*	Revenue *(MOP'000)*	Approximate % of our revenue
14	P9	Customer B	Private	Supply and installation of electrical system in a casino development project at Cotai, Macau	20,287	21,303	December 2018	First quarter of 2020	On-going	1,017	0.5%
Others	Eight projects involving supply, installation and/or maintenance of electrical systems, and/or miscellaneous E&M engineering works, each with recognised revenue of less than MOP1 million in FY2018									4,091	2.3%
									Total *(Note 3)*:	185,229	100.0%

Notes:

1. The latest contract sum as revised due to variation and supplemental orders, as the case may be.
2. Project described as "completed" means that the relevant project has achieved practical completion.
3. The figures and percentages above may not add up to the total due to rounding.

The following table summarises our projects with recognised revenue in 7M2019 in descending order:

7M2019

Rank	Project	Customer	Sector	Type	Initial contract sum *(MOP'000)*	Latest contract sum *(Note 1)* *(MOP'000)*	Commencement date	Actual/ expected completion date	Status as at the Latest Practicable Date *(Note 2)*	Revenue *(MOP'000)*	Approximate % of our revenue
1	P9	Customer B	Private	Supply and installation of electrical system in a casino development project at Cotai, Macau	20,287	21,303	December 2018	First quarter of 2020	On-going	16,392	14.9%
2	P1	Customer A1	Private	Maintenance, supply and installation of fitting out, electrical, mechanical ventilation and air conditioning and plumbing works in a hotel renovation project at Avenida da Amizade, Macau	120,594	144,785	July 2016	First quarter of 2020	On-going	13,808	12.5%
3	P6	Customer C	Private	Installation and supply of electrical system in a casino and hotel development project at Cotai, Macau	44,640	47,286	March 2018	July 2019	Completed	9,419	8.6%
4	P3	Customer B	Private	Installation and supply of electrical system in a casino and hotel development project at Cotai, Macau	75,352	111,150	May 2015	First quarter of 2020	On-going	7,981	7.3%

Rank	Project	Customer	Sector	Type	Initial contract sum *(MOP'000)*	Latest contract sum *(Note 1)* *(MOP'000)*	Commencement date	Actual/ expected completion date	Status as at the Latest Practicable Date *(Note 2)*	Revenue *(MOP'000)*	Approximate % of our revenue
5	P8	Customer B	Private	Installation and supply of electrical system for fire safety in a casino and hotel development project at Cotai, Macau	19,213	19,213	June 2018	July 2019	Completed	7,902	7.2%
6	P10	Customer B	Private	Supply and installation of electrical system in a casino development project at Cotai, Macau	9,500	11,128	August 2018	Frist quarter of 2020	On-going	6,750	6.1%
7	S16	Customer D	Private	Installation and supply of electrical system in a casino and hotel development project at Cotai, Macau	6,427	7,117	March 2019	First quarter of 2020	On-going	5,980	5.4%
8	S18	Customer A2	Private	Modification of cable containment for building management system in a residential and commercial development project at Taipa, Macau	4,126	4,126	June 2019	July 2019	Completed	4,126	3.7%
9	P11	Customer C	Private	Temporary support works, steel works, water prevention works and temporary lighting works in a hotel complex development project at Cotai, Macau	4,008	4,008	November 2018	March 2019	Completed	4,008	3.6%

Rank	Project	Customer	Sector	Type	Initial contract sum *(MOP'000)*	Latest contract sum *(Note 1)* *(MOP'000)*	Commencement date	Actual/ expected completion date	Status as at the Latest Practicable Date *(Note 2)*	Revenue *(MOP'000)*	Approximate % of our revenue
10	S19	Customer A1	Private	Temporary electrical and mechanical works and building services in a hotel and casino development project at Cotai City, Macau	7,245	7,000	May 2019	First quarter of 2020	On-going	3,911	3.6%
11	P12	Customer A2	Private	Modification and maintenance of the existing electrical and extra-low voltage installation in a residential development at NAPE, Macau	4,435	4,435	September 2018	March 2019	Completed	3,864	3.5%
12	P2	Customer A2	Private	Installation and supply of electrical system in a residential and commercial development project at Taipa, Macau	138,680	172,551	February 2016	First quarter of 2020	On-going	3,707	3.4%
13	P13	Customer A2	Private	Supply and installation of electrical system in a hotel development project at Lago Nam Van, Macau	168,842	168,842	July 2019	First quarter of 2021	On-going	3,495	3.2%

Rank	Project	Customer	Sector	Type	Initial contract sum *(MOP'000)*	Latest contract sum *(Note 1)* *(MOP'000)*	Commencement date	Actual/ expected completion date	Status as at the Latest Practicable Date *(Note 2)*	Revenue *(MOP'000)*	Approximate % of our revenue
14	S8	Customer A2	Private	Modification and maintenance of the existing electrical and extra-low voltage installation in a residential development at NAPE, Macau	6,372	6,372	October 2018	June 2019	Completed	2,784	2.5%
15	S20	Customer K	Private	Temporary power supply for electrical installation in a hotel renovation project at Cotai City, Macau	4,180	4,180	July 2019	First quarter of 2020	On-going	2,667	2.4%
16	S21	Customer A2	Private	Associated works for the restoration of the generator set for fire accident in a casino and hotel development project at Cotai, Macau	2,500	2,500	June 2019	July 2019	Completed	2,500	2.3%

Rank	Project	Customer	Sector	Type	Initial contract sum *(MOP'000)*	Latest contract sum *(Note 1)* *(MOP'000)*	Commencement date	Actual/ expected completion date	Status as at the Latest Practicable Date *(Note 2)*	Revenue *(MOP'000)*	Approximate % of our revenue
17	P14	A Macau engineering company belonging to a private engineering group founded in 1981 with its headquarter in Hong Kong engaging in building services and provision of E&M engineering solutions, with business relationships with us since 2015 ("**Customer H**")	Private	Supply, installation, testing and commissioning of the electrical and control system for chiller plant in a hotel and casino development project at Cotai City, Macau	10,562	10,614	June 2019	First quarter of 2021	On-going	2,074	1.9%
18	S12	Customer D	Private	Installation and supply of electrical system in a theme park development project at Cotai, Macau	2,300	2,300	May 2018	July 2019	Completed	1,362	1.2%
19	S9	Customer G	Private	Installation and supply of electrical system in a casino and hotel development project at Cotai, Macau	5,642	4,549	June 2018	March 2019	Completed	1,298	1.2%

Rank	Project	Customer	Sector	Type	Initial contract sum *(MOP'000)*	Latest contract sum *(Note 1)* *(MOP'000)*	Commencement date	Actual/ expected completion date	Status as at the Latest Practicable Date *(Note 2)*	Revenue *(MOP'000)*	Approximate % of our revenue
20	S22	A Macau engineering company with its headquarter in Beijing, the PRC engaging in provision of industrial, electrical and mechanical equipment and industrial installation	Private	Supply and installation of electrical system in a hotel and casino development project at Cotai City, Macau	1,909	1,909	May 2019	Second quarter of 2020	On-going	1,271	1.2%
21	S1	Customer D	Private	Installation and supply of electrical system in a casino and hotel development project at Cotai, Macau	17,240	17,252	May 2015	March 2019	Completed	1,208	1.1%
22	S13	Customer G	Private	Installation and supply of electrical system in a casino and hotel development project at Cotai, Macau	396	659	November 2018	August 2019	Completed	625	0.6%
23	S10	Customer I	Private	Installation and supply of electrical system in a casino and hotel development project at Cotai, Macau	3,463	3,717	July 2018	March 2019	Completed	613	0.6%

Rank	Project	Customer	Sector	Type	Initial contract sum *(MOP'000)*	Latest contract sum *(Note 1)* *(MOP'000)*	Commencement date	Actual/ expected completion date	Status as at the Latest Practicable Date *(Note 2)*	Revenue *(MOP'000)*	Approximate % of our revenue
24	S15	A construction and engineering group with focus on E&M engineering in Hong Kong and Macau ("**Customer J**")	Private	Supply, installation, testing and commissioning of the electrical and control system for chiller plant in a hotel and casino development project at Cotai City, Macau	8,252	8,252	July 2019	Fourth quarter of 2020	On-going	577	0.5%
25	S14	Representative of a hotel owner	Private	Maintenance works for the existing electrical and extra-low voltage system in a hotel at NAPE, Macau	765	1,244	October 2017	Fourth quarter of 2020	On-going	432	0.4%
Others	Nine projects involving supply, installation and/or maintenance of electrical systems, and/or miscellaneous E&M engineering works, each with recognised revenue of less than MOP0.4 million in 7M2019									1,290	1.1%
									Total *(Note 3)*:	110,044	100.0%

Notes:

1. The latest contract sum as revised due to variation and supplemental orders, as the case may be.
2. Project described as "completed" means that the relevant project has achieved practical completion.
3. The figures and percentages above may not add up to the total due to rounding.

On-going projects

The following table summarises our on-going projects (either in progress or yet to commence) as at the Latest Practicable Date with estimated revenue to be recognised from 1 August 2019 to the end of FY2021 in descending order:

Rank	Project	Customer	Sector	Type	Commence-ment date	Expected completion date	Initial contract sum *(MOP'000)*	Latest contract sum *(Note 1)* *(MOP'000)*	Accumulated revenue recognised during the Track Record Period *(MOP'000)*	Estimated revenue to be recognised from 1 August 2019 to the end of FY2019 *(MOP'000)*	Estimated revenue to be recognised in FY2020 *(MOP'000)*	Estimated revenue to be recognised in FY 2021 *(MOP'000)*	Contract asset as at 7M2019 *(MOP'000)*	Contract asset subsequently billed after 7M2019 and up to the Latest Practicable Date *(MOP'000)*	Contract asset subsequently settled after 7M2019 and up to the Latest Practicable Date *(MOP'000)*
1	P13	Customer A2	Private	Supply and installation of electrical system in a hotel development project at Lago Nam Van, Macau	July 2019	First quarter of 2021	168,842	168,842	3,495	34,720	103,000	27,627	3,495	3,495	2,126
2	P15	A Macau engineering company with its holding company listed in Hong Kong, with business relationships with us since 2006 ("**Customer L**")	Private	Supply and installation of electrical systems and provision of labour for installation of electrical provision for mechanical ventilation and air conditioning system in a hotel development project at Lago Nam Van, Macau	October 2019	First quarter of 2021	82,586	82,586	Nil	Nil	36,000	46,586	Nil	Nil	Nil
3	P1	Customer A1	Private	Maintenance, supply and installation of fitting out, electrical, mechanical ventilation and air conditioning and plumbing works in a hotel renovation project at Avenida da Amizade, Macau	July 2016	First quarter of 2020	120,594	144,785	116,065	20,816	7,904	Nil	Nil	Nil	Nil
4	P14	Customer H	Private	Supply, installation, testing and commissioning of the electrical and control system for chiller plant in a hotel and casino development project at Cotai City, Macau	June 2019	First quarter of 2021	10,562	10,614	2,074	8,496	44	Nil	1,237	1,145	1,145
5	S15	Customer J	Private	Supply, installation, testing and commissioning of the electrical and control system for chiller plant in a hotel and casino development project at Cotai City, Macau	July 2019	Fourth quarter of 2020	8,252	8,252	577	3,733	3,942	Nil	533	533	533

Rank	Project	Customer	Sector	Type	Commence-ment date	Expected completion date	Initial contract sum *(MOP'000)*	Latest contract sum[(Note 1)] *(MOP'000)*	Accumulated revenue recognised during the Track Record Period *(MOP'000)*	Estimated revenue to be recognised from 1 August 2019 to the end of FY2019 *(MOP'000)*	Estimated revenue to be recognised in FY2020 *(MOP'000)*	Estimated revenue to be recognised in FY 2021 *(MOP'000)*	Contract asset as at 7M2019 *(MOP'000)*	Contract asset subsequently billed after 7M2019 and up to the Latest Practicable Date *(MOP'000)*	Contract asset subsequently settled after 7M2019 and up to the Latest Practicable Date *(MOP'000)*
6	S23	Our new customer which is a Macau engineering company engaging in construction and decoration works	Private	Temporary power supply for a renovation project in a service apartment in Macau	November 2019	First quarter of 2020	5,354	5,354	Nil	5,000	354	Nil	Nil	Nil	Nil
7	P9	Customer B	Private	Supply and installation of electrical system in a casino development project at Cotai, Macau	December 2018	First quarter of 2020	20,287	21,303	17,409	3,431	463	Nil	9,329	8,800	4,808
8	S19	Customer A1	Private	Temporary electrical and mechanical works and building services in a hotel and casino development project at Cotai City, Macau	May 2019	First quarter of 2020	7,245	7,000	3,911	3,089	Nil	Nil	611	611	611
9	P2	Customer A2	Private	Installation and supply of electrical system in a residential and commercial development project at Taipa, Macau	February 2016	First quarter of 2020	138,680	172,551	170,712	854	985	Nil	Nil	Nil	Nil
10	P10	Customer B	Private	Supply and installation of electrical system in a casino development project at Cotai, Macau	August 2018	First quarter of 2020	9,500	11,128	9,378	1,750	Nil	Nil	419	419	Nil
11	S20	Customer K	Private	Temporary power supply for electrical installation in a hotel renovation project at Cotai City, Macau	July 2019	First quarter of 2020	4,180	4,180	2,667	1,513	Nil	Nil	1,167	1,167	1,167
Others	12 projects involving supply, installation and/or maintenance of electrical systems, and/or miscellaneous E&M engineering works, each with estimated revenue of less than MOP1.5 million to be recognised from 1 August 2019 to the end of FY2021						94,145	132,832	125,904	1,719	5,211	Nil	21,864	12,804	11,511
						Total[(Note 2)]:	670,226	769,426	452,190	85,121	157,903	74,213	38,655	28,974	21,901

Notes:

1. The latest contract sum as revised due to variation and supplemental orders, as the case may be.

2. The figures and percentages above may not add up to the total due to rounding.

The following table sets forth a breakdown of our Group's revenue by the latest contract sum of the projects (i.e. as revised due to variation and supplemental orders, as the case may be) during the Track Record Period:

	FY2016			FY2017			FY2018			7M2019		
	No.	*MOP'000*	*%*	*No.*	*MOP'000*	*%*	*No.*	*MOP'000*	*%*	*No.*	*MOP'000*	*%*
Above MOP100 million	3	89,308	63.9	3	183,307	88.2	3	92,124	49.7	4	28,991	26.3
On or below MOP100 million and above MOP10 million	6	42,247	30.2	5	22,217	10.7	8	76,339	41.2	7	43,824	39.8
On or below MOP10 million and above MOP1 million	7	7,674	5.5	3	2,389	1.1	10	16,575	9.0	17	35,830	32.6
On or below MOP1 million	2	457	0.3	Nil	Nil	Nil	1	191	0.1	6	1,399	1.3
Total[(Note)]:	18	139,686	100.0	11	207,913	100.0	22	185,229	100.0	34	110,044	100.0

Note: The figures and percentages above may not add up to the total due to rounding.

Projects backlog

The following table sets forth the movement of our projects backlog during the Track Record Period:

	FY2016	FY2017	FY2018	7M2019	After Track Record Period and up to the Latest Practicable Date (unaudited)
Opening number of projects backlog	14	13	12	20	20
Opening value of projects backlog *(MOP'000)*	356,551	328,502	140,571	53,409	225,798
Number of new projects (including variation orders) awarded to us	4	2	13	17	5
Total value of new projects (including variation orders) awarded to us *(MOP'000)*	111,636	19,982	98,067	282,433	93,226
Number of projects completed	5	3	5	17	2
Revenue recognised *(MOP'000)*	139,686	207,913	185,229	110,044	88,081
Closing number of projects backlog	13	12	20	20	23
Closing value of projects backlog *(MOP'000)*	328,502	140,571	53,409	225,798	230,943

Variation/supplemental orders as to Projects P1, P2, P3 and P4

The difference between the initial contract sum and the latest contract sum for Project P1 at approximately MOP24.2 million was principally attributable to a provisional item under the contract at approximately MOP15 million was replaced by the a variation order at approximately MOP35.7 million awarded in May 2019, both of which were about the phase 8 of the hotel renovation project.

The difference between the initial contract sum and the latest contract sum for Project P2 at approximately MOP33.9 million was principally attributable to: (i) a variation order at approximately MOP2.7 million awarded in April 2017 which was about a small shop scheme;

(ii) a variation order at approximately MOP1.1 million awarded in July 2017 which was about the CCTV schematic diagram for carpark area; (iii) a variation order at approximately MOP5.2 million awarded in July 2017 which was about the revised façade lighting layout and specification; (iv) a variation order at approximately MOP6.8 million awarded in November 2017 which was about the updated electrical and extra-low voltage system for arcade; (v) a variation order at approximately MOP1.6 million awarded in January 2018 which was about the revised electrical and extra-low voltage system based on revised construction at B2/F to 2/F; (vi) a variation order at approximately MOP1.4 million awarded in March 2018 which was about the lighting for G/F drop off area; (vii) a variation order at approximately MOP2.9 million awarded in May 2018 which was about the revised low-voltage switchboard; and (viii) a variation order at approximately MOP4.5 million awarded in April 2018 which was about the revised low-voltage switchboard and molded case circuit breaker board and small shop scheme.

The difference between the initial contract sum and the latest contract sum for Project P3 at approximately MOP35.8 million was principally attributable to: (i) two variations orders at approximately MOP10.5 million and MOP4.0 million respectively both awarded in August 2017 which were about the change in design in the guestrooms and certain floors of the hotel; and (ii) two variation orders at approximately MOP2.9 million and MOP4.9 million respectively both awarded in May 2018 which were about the supply and installation of temporary power supply for heat exchanger room, floors and guestrooms of the hotel.

The difference between the initial contract sum and the latest contract sum for Project P4 at approximately MOP11.0 million was principally attributable to: (i) a direct order awarded in March 2015 which was about the electrical installation works for mechanical ventilation and air conditioning system; and (ii) the claim of material cost fluctuation, labour cost and other overheads due to the job suspension of Project P4 from March 2014 to April 2015 (caused by the request for amendment of certain drawings by the Macau governmental authority) at MOP6.3 million, respectively.

OUR MACHINES AND EQUIPMENT

Our E&M engineering works during the Track Record Period did not involve use of heavy machines and equipment. The most commonly used machines and equipment were aluminum scaffold working platforms and scissor electrical platforms, all of which were rented from our third party suppliers. Our rental cost of machines and equipment in FY2016, FY2017, FY2018 and 7M2019 amounted to approximately MOP8,000, MOP632,000, MOP1.3 million and MOP315,000, respectively.

Due to the increasing frequency of use resulting from the establishment of our E&M maintenance department, our Directors consider that we cannot solely rely on renting machines and equipment from our third party suppliers and shall acquire our own aluminum scaffold working platforms and scissor electrical platforms. For further details, please refer to the subsection headed "Future plans and use of **[REDACTED]** – Business strategies" in the document.

SALES AND MARKETING

Pricing policy

During the Track Record Period, all our projects were obtained through a process of competitive bidding in which we believe our customers will also obtain quotations/tenders from other candidate contractors.

We adopt a cost-plus pricing model for setting our tender price or quotation. We estimate the cost by considering, among others, direct labour cost, subcontracting cost, machines and equipment rental cost, and cost in purchasing electrical parts and components, of such project. We may obtain preliminary quotations from our suppliers, lessors of machines and equipment, and subcontractors to facilitate our estimation. In determining the mark-up margin, we take into consideration, among others: (a) the sufficiency of our capacity after taking into account the customer's requested completion date and project schedule, and the project schedules of our on-going projects; (b) the historical pricing level and profit margin accepted by our customers; (c) the level of competition and the expected pricing of other competitors; and (d) other considerations such as the size and complexity of the project and whether acceptance of the project will enhance our reputation within the industry or open up further opportunities for future projects with the customers.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any loss-making projects as a result of material inaccurate estimation or cost overruns.

Marketing activities

As to our marketing activities, we display the name of Ready System (Macau) in our machines and equipment deployed at the construction sites, and distribute our brochures to potential customers. We currently have no plan to carry out other marketing activities such as mass media advertisement.

Our Directors believe that our relationship with our customers, expertise, reputation in the industry and past project references are key to securing future projects as we rely on word-of-mouth by our customers to attract new referrals for future projects, and the quality of services provided by us in our existing projects is crucial in retaining our existing customers. In addition, we believe that the **[REDACTED]** will further promote our Group to the general public, and thus further enhance our brand and future business development.

Further, our Directors consider that our qualification of registered contractor for execution of construction works (實施工程) is a public information and can be inspected in website of the DSSOPT, and therefore could enhance our professional profile in the E&M engineering works industry.

Seasonality

Our Directors consider that the E&M engineering industry in Macau does not exhibit any significant seasonality.

QUALITY CONTROL

Our relevant project team is responsible for the quality control of each project. Our executive Directors are responsible for supervising the overall implementation of quality control measures of all our projects. Details of their qualifications and experience are set out in the paragraph headed "Directors, senior management and staff – Directors" in the document.

Our site supervisor is responsible for monitoring the quality of works carried out by our own employees and/or our subcontractors on a full time basis at the construction site. Our project manager is responsible for the overall supervision of the works quality and progress of works and ensuring that our works are completed according to schedule.

Furthermore, our project teams communicate frequently with our executive Directors while our executive Directors closely monitor each of the projects' progress and discuss issues identified to ensure that our works (i) meet our customers' requirements; (ii) are completed within the time stipulated in the subcontract and the budget for each project; and (iii) comply with all relevant regulatory requirements.

With regards to electrical parts and components, cables, and machines and equipment, we generally purchase or rent from our suppliers who had established satisfactory business relationships with us, and demonstrated consistency in the quality of the electrical parts and components, cables, or machines and equipment supplied by them. When the electrical parts and components, cables, and machines and equipment purchased or rented by us are delivered to us, our quality control will generally include the inspection of whether the quantity is correct, whether there are any observable defects, and for machines and equipment, whether it functions properly.

Our customers, being generally the main contractors or the E&M engineering works subcontractors, also carry out quality supervision to our works at various stages of the project. In stating so, during the Track Record Period, we have not received any complaint or request for any kind of compensation from our customers due to quality issue in relation to works performed by us or by our subcontractors, which is considered by our Directors to be attributable to our effective quality control measures.

OUR CUSTOMERS

During the Track Record Period, our customers were generally the main contractors or the E&M engineering works subcontractors in the relevant development and renovation projects in Macau.

In FY2016, FY2017, FY2018 and 7M2019, our top five customers were Independent Third Parties, and total revenue attributable to them amounted to approximately MOP133.3 million, MOP207.4 million, MOP174.8 million and MOP102.4 million, representing approximately 95.4%, 99.7%, 94.4% and 93.0% of our total revenue, respectively. During the same period, total revenue attributable to our largest customer amounted to approximately MOP63.5 million, MOP147.2 million, MOP65.7 million and MOP39.0 million, representing approximately 45.4%, 70.8%, 35.5% and 35.5% of our total revenue, respectively.

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

The following tables set forth the details of our top five customers during the Track Record Period:

FY2016

Customer *(Note 1)*	**Background**	**Revenue** *(MOP'000)*	**Approximate % of our revenue**	**Length of business relationship with us**
Customer A *(Note 3)*	A Macau company engaging in building construction and foundation piling ("**Customer A1**") and a Macau company engaging in installation and maintenance of electrical, mechanical, heat ventilation and air-conditioning systems ("**Customer A2**"), and both Customers A1 and A2 are subsidiaries of a company listed in Hong Kong	63,476	45.4%	Since 2015 (Customer A1) Since 2007 (Customer A2)
Customer B *(Note 4)*	A Macau engineering company engaging in provision of air-conditioning engineering and related installation	47,229	33.8%	Since 2014

Customer [Note 1]	Background	Revenue *(MOP'000)*	Approximate % of our revenue	Length of business relationship with us
Customer D	A Macau engineering company engaging in design, installation, maintenance and consultancy for different elements in E&M services such as high/low voltage electrical power supply system, air-conditioning and ventilation system, water supply and plumbing/drainage system	9,395	6.7%	Since 2015
Customer E	A Macau branch engineering company with its headquarter in Anhui Province, the PRC providing industrial equipment and E&M installation works	8,286	5.9%	Since 2015
Customer C [Note 5]	A Macau company engaging in civil engineering business in Macau, being a subsidiary of a company listed in Hong Kong	4,877	3.5%	Since 2015
	Total [Note 2]:	133,263	95.4%	

Notes:

1. Our top five customers in FY2016 are all Independent Third Parties and unrelated to each other.
2. The figures and percentages above may not add up to the total due to rounding.
3. Customer A, Supplier F and Subcontractor A belong to the same group listed in Hong Kong.
4. Customer B, Supplier D and Subcontractor D refer to the same entity.
5. Customer C and Subcontractor F refer to the same entity.

FY2017

Customer *(Note 1)*	**Background**	**Revenue** *(MOP'000)*	**Approximate % of our revenue**	**Length of business relationship with us**
Customer A *(Note 3)*	A Macau company engaging in building construction and foundation piling ("**Customer A1**") and a Macau company engaging in installation and maintenance of electrical, mechanical, heat ventilation and air-conditioning systems ("**Customer A2**"), and both Customers A1 and A2 are subsidiaries of a company listed in Hong Kong	147,214	70.8%	Since 2015 (Customer A1) Since 2007 (Customer A2)
Customer B *(Note 4)*	A Macau engineering company engaging in provision of air-conditioning engineering and related installation	38,624	18.6%	Since 2014
Customer E	A Macau branch engineering company with its headquarter in Anhui Province, the PRC providing industrial equipment and E&M installation works	13,751	6.6%	Since 2015
Customer D	A Macau engineering company engaging in design, installation, maintenance and consultancy for different elements in E&M services such as high/low voltage electrical power supply system, air-conditioning and ventilation system, water supply and plumbing/drainage system	5,643	2.7%	Since 2015

Customer [Note 1]	Background	Revenue (MOP'000)	Approximate % of our revenue	Length of business relationship with us
Customer F	A Macau company engaging in engineering installation in Macau, being a subsidiary of a company listed in Shanghai	2,135	1.0%	Since 2015
	Total [Note 2]:	207,367	99.7%	

Notes:

1. Our top five customers in FY2017 are all Independent Third Parties and unrelated to each other.

2. The figures and percentages above may not add up to the total due to rounding.

3. Customer A, Supplier F and Subcontractor A belong to the same group listed in Hong Kong.

4. Customer B, Supplier D and Subcontractor D refer to the same entity.

FY2018

Customer *(Note 1)*	**Background**	**Revenue** *(MOP'000)*	**Approximate % of our revenue**	**Length of business relationship with us**
Customer A *(Note 3)*	A Macau company engaging in building construction and foundation piling ("**Customer A1**") and a Macau company engaging in installation and maintenance of electrical, mechanical, heat ventilation and air-conditioning systems ("**Customer A2**"), and both Customers A1 and A2 are subsidiaries of a company listed in Hong Kong	65,744	35.5%	Since 2015 (Customer A1) Since 2007 (Customer A2)
Customer B *(Note 4)*	A Macau engineering company engaging in provision of air-conditioning engineering and related installation	47,264	25.5%	Since 2014
Customer C *(Note 5)*	A Macau company engaging in civil engineering business in Macau, being a subsidiary of a company listed in Hong Kong	42,169	22.8%	Since 2015
Customer D	A Macau engineering company engaging in design, installation, maintenance and consultancy for different elements in E&M services such as high/low voltage electrical power supply system, air-conditioning and ventilation system, water supply and plumbing/drainage system	14,513	7.8%	Since 2015

Customer [Note 1]	Background	Revenue *(MOP'000)*	Approximate % of our revenue	Length of business relationship with us
Customer E	A Macau branch engineering company with its headquarter in Anhui Province, the PRC providing industrial equipment and E&M installation works	5,148	2.8%	Since 2015
	Total [Note 2]:	174,838	94.4%	

Notes:

1. Our top five customers in FY2018 are all Independent Third Parties and unrelated to each other.
2. The figures and percentages above may not add up to the total due to rounding.
3. Customer A, Supplier F and Subcontractor A belong to the same group listed in Hong Kong.
4. Customer B, Supplier D and Subcontractor D refer to the same entity.
5. Customer C and Subcontractor F refer to the same entity.

7M2019

Customer [Note 1]	Background	Revenue *(MOP'000)*	Approximate % of our revenue	Length of business relationship with us
Customer B [Note 3]	A Macau engineering company engaging in provision of air-conditioning engineering and related installation	39,025	35.5%	Since 2014
Customer A [Note 4]	A Macau company engaging in building construction and foundation piling ("**Customer A1**") and a Macau company engaging in installation and maintenance of electrical, mechanical, heat ventilation and air-conditioning systems ("**Customer A2**"), and both Customers A1 and A2 are subsidiaries of a company listed in Hong Kong	38,267	34.8%	Since 2015 (Customer A1) Since 2007 (Customer A2)
Customer C [Note 5]	A Macau company engaging in civil engineering business in Macau, being a subsidiary of a company listed in Hong Kong	13,845	12.6%	Since 2015
Customer D	A Macau engineering company engaging in design, installation, maintenance and consultancy for different elements in E&M services such as high/low voltage electrical power supply system, air-conditioning and ventilation system, water supply and plumbing/drainage system	8,550	7.8%	Since 2015

Customer [Note 1]	Background	Revenue (MOP'000)	Approximate % of our revenue	Length of business relationship with us
Customer K	A Macau engineering company engaging in interior and exterior renovation works and construction works	2,667	2.4%	Since 2019
	Total [Note 2]:	102,354	93.0%	

Notes:

1. Our top five customers in 7M2019 are all Independent Third Parties and unrelated to each other.
2. The figures and percentages above may not add up to the total due to rounding.
3. Customer B, Supplier D and Subcontractor D refer to the same entity.
4. Customer A, Supplier F and Subcontractor A belong to the same group listed in Hong Kong.
5. Customer C and Subcontractor F refer to the same entity.

The following table sets forth the project nature of the E&M engineering works provided to our top five customers during the Track Record Period:

Customer	Project nature
Customer A1	Supply, installation and maintenance
Customer A2	Supply, installation and maintenance
Customer B	Supply, installation and maintenance
Customer C	Supply and installation
Customer D	Supply and installation
Customer E	Supply and installation
Customer F	Supply and installation
Customer K	Supply and installation

The following information provided by Frost & Sullivan indicates the scale of operations of each of our top five customers during the Track Record Period:

– The Macau operating arm (comprising Customer A2) engaging in the provision of E&M engineering services is estimated to record the revenue of approximately MOP333.8 million for the provision of E&M engineering services in 2018, with less than 50 staff in Macau. Customers A1 and A2 are the subsidiaries of Chinney Alliance

Group Limited (Stock Code: 385), which is a construction group listed on the Stock Exchange, with the revenue of approximately HK$6,051 million in 2018. Chinney Alliance Group Limited is principally engaged in trading of plastics and chemical products, building related contracting services, building construction, foundation piling and ground investigation in Hong Kong, Macau, the PRC and Singapore.

– Customer B specialises in E&M, repair, maintenance, alteration and addition in Hong Kong and Macau. As estimated, it recorded the revenue of less than HK$1,000 million in 2018.

– Customer C recorded the revenue of approximately MOP260 million in 2018, with approximately 80 staff in Macau.

– Customer D is estimated to record the revenue of approximately MOP368.6 million in 2018, with less than 50 staff in Macau.

– Customer E operates in the PRC and Macau, with a focus on building construction and E&M. As estimated, it recorded the revenue of over RMB4,000 million in 2018.

– Customer F's holding company is a smart city system integrator and comprehensive security service provider. It is listed on the Shanghai Stock Exchange and has more than 11,000 employees, with the revenue of approximately RMB3,600 million in 2018.

– Customer K is estimated to record the revenue of less than MOP2 million in 2018, with less than 20 staff in Macau.

Customer concentration

In FY2016, FY2017, FY2018 and 7M2019, our top five customers accounted for approximately 95.4%, 99.7%, 94.4% and 93.0% of our total revenue, respectively. In particular, Customer A accounted for approximately 45.4%, 70.8%, 35.5% and 34.8% of our total revenue, respectively.

Business relationships with Customer A

Customer A comprises two separate companies: one is a Macau company engaging in building construction and foundation piling (being Customer A1), and the other one is a Macau company engaging in installation and maintenance of electrical, mechanical, heat ventilation and air-conditioning systems (being Customer A2). Both Customers A1 and A2 are subsidiaries of the same company listed on the Main Board of the Stock Exchange which had a market capitalisation of approximately HK$713.9 million as at 31 December 2018 and a total revenue of approximately HK$5.6 billion and HK$6.0 billion in FY2017 and FY2018, respectively.

According to the best knowledge of our Directors, although Customers A1 and A2 belong to the same listed group, they engage into two different business segments, they have two separate management teams as well as project teams, and they operate independently with each other.

Nevertheless, despite the above reasons, our revenue attributable to Customers A1 and A2 during the Track Record Period have been aggregated together as a single entity of Customer A for disclosure purpose in the document solely for the sake of prudence.

Our Group has established business relationships with Customer A2 since 2007, while only acquainted with Customer A1 in 2015 due to the introduction by Customer A2. Awarded in the mid-2016, Project P1 was our first project worked with Customer A1 with the initial contract sum at approximately MOP120.6 million. On the other hand, Project P2 was awarded by Customer A2 in late 2015 with the initial contract sum at approximately MOP138.7 million and Project P13 was awarded by Customer A2 in May 2019 with the initial contract sum at approximately MOP168.8 million. Projects P1, P2 and P13 are the only three projects during the Track Record Period with initial contract sum of over MOP100 million. While Project P13 recently commenced in July 2019, Project P2 is expected to complete in the first quarter of 2020 while Project P1 is on-going as at the Latest Practicable Date given that a new variation order with contract sum of approximately MOP35.7 million was awarded by Customer A1 in May 2019.

In fact, our revenue attributable to Customers A1 and A2 during the Track Record Period were mainly attributable to Projects P1 and P2, details of which are set forth below:

FY2016

	Project P1		**Project P2**		**Other project(s)**		**Total**	
	Revenue *(MOP'000)*	**Approximate % of our revenue**	**Revenue** *(MOP'000)*	**Approximate % of our revenue**	**Revenue** *(MOP'000)*	**Approximate % of our revenue**	**Revenue** *(MOP'000)*	**Approximate % of our revenue**
Customer A1	30,435	21.8%	N/A	N/A	N/A	N/A	30,435	21.8%
Customer A2	N/A	N/A	30,094	21.5%	2,947[(Note)]	2.1%	33,041	23.6%
						Total:	63,476	45.4%

Note: This was attributable to three projects, two of which were awarded before the Track Record Period and the remaining one was Project S5.

FY2017

	Project P1		Project P2		Other project(s)		Total	
	Revenue (MOP'000)	Approximate % of our revenue	Revenue (MOP'000)	Approximate % of our revenue	Revenue (MOP'000)	Approximate % of our revenue	Revenue (MOP'000)	Approximate % of our revenue
Customer A1	56,445	27.2%	N/A	N/A	N/A	N/A	56,445	27.2%
Customer A2	N/A	N/A	89,471	43.0%	1,298[(Note)]	0.6%	90,769	43.6%
						Total:	147,214	70.8%

Note: This was attributable to two projects, one of which was awarded before the Track Record Period and the remaining one was Project S5.

FY2018

	Project P1		Project P2		Other project(s)		Total	
	Revenue (MOP'000)	Approximate % of our revenue	Revenue (MOP'000)	Approximate % of our revenue	Revenue (MOP'000)	Approximate % of our revenue	Revenue (MOP'000)	Approximate % of our revenue
Customer A1	15,376	8.3%	N/A	N/A	N/A	N/A	15,376	8.3%
Customer A2	N/A	N/A	45,291	24.5%	5,077[(Note)]	2.7%	50,368	27.2%
						Total:	65,744	35.5%

Note: This was attributable to Projects S8 and P12.

7M2019

	Project P1		Project P2		Other project(s)		Total	
	Revenue (MOP'000)	Approximate % of our revenue	Revenue (MOP'000)	Approximate % of our revenue	Revenue (MOP'000)	Approximate % of our revenue	Revenue (MOP'000)	Approximate % of our revenue
Customer A1	13,808	12.5	N/A	N/A	3,911[(Note 1)]	3.6	17,719	16.1%
Customer A2	N/A	N/A	3,707	3.4	16,841[(Note 2)]	15.3	20,548	18.7%
						Total:	38,267	34.8%

Notes:

1. This was attributable to Project S19.

2. This attributable to Projects S8, P12, P13, S18 and S21, and a project with initial contract sum of approximately MOP72,000.

Besides Project P1 and S19, there are no other projects awarded by Customer A1 during the Track Record Period and up to the Latest Practicable Date. Nevertheless, besides Project P2, there is an on-going Project P13 with initial contract sum of approximately MOP168.8 million awarded by Customer A2 in May 2019.

Sustainability of our business

Our Directors consider that our business model is sustainable despite concentration on Customers A and B and the likelihood that the relationships with Customers A and B will materially adversely change or terminate is low, in view of the followings:

(i) If treating Customers A1 and A2 separately, concentration feature would be mitigated

As aforesaid, although Customers A1 and A2 belong to the same listed group, they engage into two different business segments, they have two separate management teams as well as project teams, and they operate independently with each other. If treating them separately, it would become that in FY2016, FY2017, FY2018 and 7M2019, our revenue attributable to our largest customer amounted to approximately 33.8% (Customer B) 43.6% (Customer A2), 27.2% (Customer A2) and 35.5% (Customer B) of our total revenue, respectively. Please also note that we acquainted with Customer A1 in 2015 because of the introduction by Customer A2 and therefore after our tender submission for Project P1 in January 2016 to the project employer and subsequently in May 2016, Project P1 was concluded to be a subcontract and the main contractor shall be Customer A1, we were invited by Customer A1 to submit tender for Project P1. It is not the case that the same group of management using two different entities to award two different projects to us. Further, it is worth to note that we were required by Customer A1 to acquire performance bond at 10% of the initial contract sum for Project P1, but Customer A2 agreed to do us a favour that the performance bond requirement for Project P2 was not necessary (such treatment was, as considered by our Directors, attributable to the over ten years of established business relationships with Customer A2 since 2007), which supports the situation of separate management and independent operation between Customer A1 and Customer A2.

(ii) We have maintained close and complementary business relationships with Customers A and B

According to the Frost & Sullivan Report, being recognised and having a good reputation allows the companies to win trust of customers and other industry stakeholders,

more importantly increases the possibilities of landing projects. We have established stable and strong business relationships with Customers A and B, who are our largest two customers during the Track Record Period. Our business relationships with Customers A and B were established in 2007 and 2014, respectively and we have been continuously engaged by Customers A and B since the beginning of our relationships. Our Directors believe that we have fully acquainted ourselves with the requirements of Customers A and B and have gained trust from Customers A and B over the years with a proven track record. This is evidenced by the projects awarded by Customers A and B during the Track Record Period as well as the introduction and reference by Customer A2 of us to Customer A1.

Customer A2 awarded us Project P2 in 2015, and when Project P2 approached to a later stage in 2018, Project S8 and P12 were awarded to us in 2018, and then when these three Projects P2, S8 and P12 approached to completion in 2019, among other projects, an on-going Project P13 with initial contract sum of approximately MOP168.8 million was awarded by Customer A2 in May 2019. On the other hand, Project S19 and a new variation order as to Project P1 with contract sum of approximately MOP35.7 million were awarded by Customer A1 in May 2019. Similarly, Customer B awarded us Project P4 in 2014, Project P3 in 2015, Project P8 in 2017, and Projects P9 and P10 in 2018.

The above demonstrates that Customers A and B intend to keep us "busy" for them from time-to-time. In any event, it is no doubt that repetitive customer can indicate good quality of our works and customer's reliance on us. Based on the above, our Directors believe that it is mutually beneficial and complementary for Customers A and B and us to maintain a close and stable business relationships.

(iii) Mutual reliance between us and Customers A and B

Customer A1 is a Macau company engaging in building construction and foundation piling. Therefore in Project P1, they relied on our expertise in E&M engineering works such that they would be able to focus on their expertise area.

Customer A2 is a Macau company engaging in installation and maintenance of electrical, mechanical, heat ventilation and air-conditioning systems, which apparently operates similar businesses as our Group. Nevertheless, to the best knowledge of our Directors based on the long-establishing business relationships with Customer A2 since 2007, the focus of Customer A2 in Macau mainly involves mechanical ventilation and air-conditioning (while our focus is on electrical-related E&M engineering works). As such, over the years of co-operation between us and Customer A2, for the E&M projects awarded to us, we would subcontract the works relating to mechanical ventilation and air-conditioning to Customer A2 (subject always to the competitive bidding process), while for the E&M projects awarded to them, they would subcontract the works relating to electrical-related E&M engineering works to us (subject always to the competitive bidding process), such that both of us would be able to focus on our expertise area.

Customer B is a Macau engineering company engaging in provision of air-conditioning engineering and related installation, being one arm of the E&M engineering works. Therefore in Projects P3, P4, P8, P9 and P10, they relied on our expertise in electrical system installation, being another arm of the E&M engineering works, and so engaged us for the installation and supply of electrical system in the relevant projects such that they would be able to focus on their expertise area.

Given that the E&M projects awarded were subject to the bidding process, for a large scale E&M project which contains extensive scope of works (e.g. more than one arm of the E&M engineering works such as electrical, mechanical ventilation and air conditioning and plumbing works as well as certain building works), engaging us as the subcontractor for the electrical works (or vice versa, engaging Customers A and/or B as the subcontractor for mechanical ventilation and air conditioning, plumbing works and building works) can ensure us and Customers A and B will be able to focus on our respective expertise area such that the overall cost competitiveness and project progress management can improve, and thereby increasing the chance of overall successful bidding of such large scale E&M project so that both us and Customers A and/or B can secure the works together. Therefore, our Directors consider that there were mutual reliance between us and Customers A and B.

(iv) Feature of concentration on Customer A should not be interpreted solely as an indication of reliance because it was also substantially attributable to one fundamental feature of uncertainty in the business model of competitive bidding as well as restricted capacity

Despite maintaining well-established business relationships with Customer A, it remains the fact that all our projects were obtained through a process of competitive bidding in which we believe our customers (including Customer A) will also obtain quotations/tenders from other candidate contractors. There is no assurance that our customers will award us projects for every quotation/tender we submit. We must face competitors.

In order to secure business opportunity, we adopt a pro-active mode in our projects procurement strategy. Upon receiving invitation to submit quotation/tender from our customers (with or without existing business relationships), it is our policy to reply with our quotations/tenders rather than rejecting their requests.

On one hand, there is no assurance that our customers will award us projects or not, but on the other hand, if any quotation/tender is to be awarded to us, there is also no assurance on which quotation/tender will be awarded. It could be from an existing customer or a new customer. It could be a sizeable project or a boutique project. It does always involve an element of uncertainty. For competitive bidding, everytime is a brand new selection and we will never reject a profitable project awarded (sizeable or boutique) just because of avoiding concentration.

To the best knowledge of our Directors, both Customers A1 and A2 are aware of subcontractor concentration, in the sense that if any of their subcontractor has already been awarded with a sizeable project, they will incline not to award them further project(s) (sizeable or boutique) unless that previous sizeable project approaches to completion. Customer A2 awarded us Project P2 in 2015, and when Project P2 approached to a later stage in 2018, Projects S8 and P12 were awarded to us in 2018, and then when these three Projects P2, S8 and P12 approached to completion in 2019, among other projects, an on-going Project P13 with initial contract sum of approximately MOP168.8 million was awarded by Customer A2 in May 2019. On the other hand, Project S19 and a new variation order as to Project P1 with contract sum of approximately MOP35.7 million were awarded by Customer A1 in May 2019.

As aforesaid, there is no assurance on whether project to be awarded is sizable or not, in particular in 7M2019, given that (i) Project P2 approached to completion with revenue recognised at approximately MOP3.7 million in 7M2019 only; (ii) the new sizeable Project P13 awarded by Customer A2 was at the preliminary stage with revenue recognised at approximately MOP3.5 million in 7M2019 only; and (iii) the remaining projects awarded by Customers A1 and A2 (i.e. Projects S8, P12, S18, S19 and S21, and a project with initial contract sum of approximately MOP72,000) were all boutique projects with initial contract sum less than MOP10 million, Customer A ceased to be our top customer. While we consider that we have maintained close co-operation and established business relationship with Customer A throughout the Track Record Period, the cessation of Customer A to be our top customer in 7M2019 demonstrates the involvement of the element of uncertainty as to the size of project(s) awarded by Customer A to us, which was substantially attributable to the fundamental feature of the business model of competitive bidding.

In view of the above, it would be more accurate to state that our feature of concentration was attributable to sizable Projects P1 and P2 rather than to Customer A. In other words, customers of sizable projects would easily become our major customers. Restricted with the current internal resources, we may not be able to have too many sizeable projects at the same time. Benefited from **[REDACTED]** with the expansion of our resources from the **[REDACTED]** of **[REDACTED]**, we consider that we are able to capture more sizeable projects after **[REDACTED]** thereby diversifying our customer base. For details, please refer to the paragraph headed "Business strategies" in this section.

(v) Revenue of the E&M engineering industry in Macau is expected to grow

According to the Frost & Sullivan Report, it is expected that the revenue of the E&M engineering industry in Macau would reach approximately HK$18.1 billion in 2023, growing at a CAGR of approximately 9.3% from 2019 to 2023. The repair and maintenance segment is forecasted to keep a steady growth. By the end of 2023, revenue of the E&M engineering industry in the repair and maintenance segment is estimated to reach approximately HK$5.7 billion, with a CAGR of approximately 12.2% from 2019 to 2023. With our established operating history and reputation with a wide range of project references, as well as our business strategy of establishing an E&M maintenance

department with the aid of the **[REDACTED]** of the **[REDACTED]**, our Directors believe that we are well-equipped to capture the growing business and opportunities in the E&M engineering industry in Macau and increase our market share.

(vi) Our skills and experience in the E&M engineering industry are transferable

We have been providing E&M engineering services in Macau since 2006. Our established operating history and reputation with a wide range of project references would assist us in securing projects from other major players in the construction industry in Macau in the event that the demand from Customers A and B for our services reduces in the future. We have established a good reputation, built a stable pool of subcontractors and suppliers and possessed a broad range of E&M engineering experience, which put us at a competitive position in tendering for projects from new customers. In particular, we have been constantly invited by new customers to submit quotations/tenders and as at the Latest Practicable Date and four of our quotations/tenders pending reply were attributable to new customers. After the Track Record Period, an on-going Project P15 with the initial contract sum of approximately MOP82.6 million was awarded by Customer L in October 2019 and an on-going Project S23 with the initial contract sum of approximately MOP5.4 million was awarded by a new customer in November 2019.

(vii) Measures to mitigate our exposure to any material adverse changes to or termination of the relationships with Customers A and B

Benefited from our established operating history and proven track record in Macau, our Directors actively from time-to-time explore new tendering opportunities for sizeable E&M engineering projects. In particular, with the **[REDACTED]** of the **[REDACTED]**, our financial position will be strengthened such that we can undertake more sizeable E&M engineering projects. As at the Latest Practicable Date, we had submitted a tender to Customer L with tender sum of approximately MOP167.3 million and a tender to an established operator of casinos and hotels in Macau with tender sum of approximately MOP110.1 million, both with the expected date of tender result announcement within the first quarter of 2020. If we succeed to secure these projects, we consider the concentration feature on Customers A and B will substantially reduce. Further, we will establish an E&M maintenance department with the **[REDACTED]** of **[REDACTED]**, one of the target customers of which include the landlords of various commercial and residential buildings, hotels and casinos in Macau. For further details of our future plans, please refer to the section headed "Future plans and **[REDACTED]**" in the document. As such, our Directors consider that our future plans will be able to expand our clientele and tendering opportunities thereby mitigating our exposure to any material adverse changes to or termination of the relationships with Customers A and B.

From our Directors' previous experience, our customers in the E&M engineering industry in Macau are inclined to give preference to contractors who have a **[REDACTED]** status in Hong Kong. Needless to say that a **[REDACTED]** applicant in Hong Kong needs to go through an extremely rigorous, robust and comprehensive scrutinisation and vetting

process by the relevant authorities in order to achieve the **[REDACTED]** status of the Stock Exchange, and further, a **[REDACTED]** company shall be subject to the strict, on-going and continuous compliance of the Listing Rules and other applicable laws and regulations in order to maintain its **[REDACTED]** status. Therefore, a Hong Kong **[REDACTED]** company has always given the market a solid perception of transparent financial disclosure, established internal control and stringent regulatory supervision, thereby achieving a better reputation over the other non-listed industry peers. Therefore, we are confident that a **[REDACTED]** status in Hong Kong will reinforce our image, and enhance the confidence of our business stakeholders in the E&M engineering industry in Macau and thereby enabling us to explore new tendering opportunities with new customers.

Major contract terms with our customers

During the Track Record Period and up to the Latest Practicable Date, our customers engaged us on a project-by-project basis instead of entering into any long-term contract. Generally, being a subcontractor or sub-subcontractor, the terms of our contracts with our customers mirror the terms of the contract between our customers and the main contractor or the project employer, as the case may be. The major contract terms with our customers can be summarised below:

Major contract terms	Description
Project information	Project information includes address of the project site, scope of works, duration, contract sum and identities of certain consultants including architect, structural engineer and quantity surveyor, already on board.
Contract sum	The contract sum is generally a fixed price lump sum and will only be adjusted under specified situations such as adjustments to provisional sums and variations. In particular, it shall not be subject to any adjustment due to change in currencies exchange rates and cost fluctuation in wages, plant and material.
Schedule of rates or bills of quantities	The schedule of rates or bills of quantities is the breakdown of the contract sum itemising the works and quantities, and setting out the price or price rate of each item of works. The schedule of rates or bills of quantities may also contain provisional items of works.
Terms of payment	We do not receive any sums as prepayment or deposit and only receive progress payments from our customers based on the works completed pursuant to the tender documents or contracts of the relevant projects.

Major contract terms	Description
	Progress payment In general, for every one month, we prepare a statement setting out our estimate of the value of the works completed in the preceding month and submit the statement together with the payment application to our customers. The amount will be set off with any cost of materials procured by our customers for us and other miscellaneous expenses payable to our customers in the preceding month. Upon receiving such statement with our payment application, our customer shall assess and certify our payment application. Our customer will then make payment based on the certified amount less any retention money. Payments will generally be made by our customers to us on "pay when paid" basis, in the sense that our customers will only make payment to us after they have received their progress payments from the main contractors or project employers, as the case may be. In general, payments will be made within 30 days from the date of the receipt of progress payments by our customers. *Payment method* Payment is usually made by way of cheque or bank transfer in MOP.
Provisional works	The schedule of rates or bill of quantities may contain provisional works which may not be required to be executed at all, and if required, the quantities of the provisional works shall be subject to re-measurement and paid at the price rates in the schedule of rates or bill of quantities.
Variation	Our customers may issue instructions requiring a variation, which means the alteration or modification of the design, quality or quantity of the works, and includes the addition, omission or substitution of any work, and the alteration of the kind or standard of any of the materials or goods to be used in the works.

Major contract terms	Description
	The valuation of the variation works is generally determined by the quantity surveyor engaged by the project employer. If the variation works is of similar character executed under similar conditions as works priced in the schedule of rates or bill of quantities, the prices therein shall determine the valuation, otherwise, valuation shall be made by the quantity surveyor on a fair basis.
Performance bond	We are generally required to at our own cost obtain the guarantee of an approved bank to be jointly and severally bound with us to our customer in a specified sum (generally equivalent to 10% of the contract sum) for the due performance of the contract under the terms of a bond in a specified format. The performance bond is generally released after the defect liability period.
Defect liability period	We are required to make good any defects at our own cost within the defect liability period, which is generally 12 to 24 months after the practical completion.
Retention money	The amount of retention money being retained is generally agreed to be approximately 10% of the certified amount until the total amount of retention money reaches approximately 5% of the contract sum which is the maximum amount to be retained. Upon the practical completion, part of the retention money being retained will be released to us. After we have made good the defect to our customer's satisfaction, the residue of the retention money being retained will be released to us.
Insurance	The main contractor will effect and maintain, for the contractors and subcontractors of any tier including us, the insurance policies for the contract works and liability to third parties, and employees compensation insurance for the personal death or death arising out of or in the course of the contract works.

Major contract terms	Description
	Nevertheless, we are required to take out our own insurance for the machines and equipment brought onto the construction site.
Extension of time	If the progress of the works is likely to be delayed due to certain situations as stipulated under the contract such as force majeure, variation order and delay of other contractor in executing works, the architect shall estimate the length of the delay and make a fair and reasonable extension of time for completion of the works.
Liquidated damages	In general, failure to complete on time will result in liquidated damages against us calculated according to an agreed daily rate under the contract.
Importation of labour	The main contractor is responsible for making of all application of imported labour quota for the project. For further details about our imported workers, please refer to the paragraph headed "Our subcontractors – Imported workers" in this section.
Termination	Our customers are generally entitled to terminate our contracts if (i) we without reasonable cause wholly suspend the carrying out of the works before completion; (ii) we fail to proceed regularly and diligently with the works; (iii) we fail to comply with the written notices or orders from the architects of the customers causing the works being materially affected; or (iv) we become bankrupt or make arrangement with our creditors or have a winding up order or have a resolution for voluntary winding up or a receiver is appointed.

OUR SUPPLIERS

Our suppliers during the Track Record Period generally included suppliers of electrical parts and components such as cable containments, distribution boards, light fittings and wire accessories.

In FY2016, FY2017, FY2018 and 7M2019, save and except for Ready Electrical Metal Work Limited and Shun Tat M&E Equipment Limited, our top five suppliers were Independent Third Parties. Our total purchase attributable to our top five suppliers amounted to approximately MOP30.5 million, MOP45.7 million, MOP37.2 million and MOP10.8 million, representing approximately 78.3%, 73.2%, 69.9% and 74.4% of our total purchase, respectively.

During the same period, our total purchase attributable to our largest supplier amounted to approximately MOP13.4 million, MOP16.5 million, MOP14.6 million and MOP5.0 million, representing approximately 34.4%, 26.4%, 27.4% and 34.8% of our total purchase respectively.

Save and except for Ready Electrical Metal Work Limited and Shun Tat M&E Equipment Limited, none of our Directors, Shareholders (who to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) or their respective close associates had any interest in any of our top five suppliers during the Track Record Period.

Further, save and except (i) Customer A, Supplier F and Subcontractor A; (ii) Customer B, Supplier D and Subcontractor D; and (iii) Customer C and Subcontractor F, our top five suppliers engaged by us are not our top five customers, nor our top five subcontractors, nor vice versa.

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

FY2016

Supplier *(Note 1)*	**Background**	**Products sold to us**	**Purchase** *(MOP'000)*	**Approximate % of our purchase**	**Length of business relationship with us**
Ready Electrical Metal Work Limited and Shun Tat M&E Equipment Limited *(Note 3)*	Ready Electrical Metal Work Limited engaging in sales of low-voltage electrical power distribution and control devices, while Shun Tat M&E Equipment Limited engaging in trading of cable tray, trunking and conduits for electrical cables and wires	Low-voltage switchboards, and electrical parts and components	13,387	34.4%	Since 2007
Supplier F *(Note 4)*	Companies within the same group listed in Hong Kong engaging in, among others, design, installation, repair and maintenance of electrical, mechanical, heat ventilation and air-conditioning systems, trading of electrical installation products and electrical generators, and building construction and foundation piling	Distribution boards and wiring accessories	7,027	18.1%	Since 2007

Supplier [Note 1]	Background	Products sold to us	Purchase *(MOP'000)*	Approximate % of our purchase	Length of business relationship with us
Supplier B	A Hong Kong company engaging in sales of mid-to-low voltage cables and telecommunication cables	Cables	4,718	12.1%	Since 2016
Supplier A	Two Hong Kong companies within the same group engaging in trading of electrical and cable containment products	Cable trays, trunkings and containments	3,522	9.1%	Since 2008
Supplier C	A Hong Kong company with its parent company headquartered in France, being a global specialist in digital transformation of energy management and automation in homes, buildings, data centers, infrastructure and industries, the shares of which are listed on Euronext Paris (compartment A), and the annual revenue of which was approximately EUR25.7 billion in 2018	Distribution boards and wiring accessories	1,832	4.7%	Since 2007
		Total [Note 2]:	30,486	78.3%	

Notes:

1. Save and except Ready Electrical Metal Work Limited and Shun Tat M&E Equipment Limited, our top five suppliers in FY2016 are all Independent Third Parties and unrelated to each other.

2. The figures and percentages above may not add up to the total due to rounding.

3. Ready Electrical Metal Work Limited is currently a subsidiary of REM Group (Holdings) Limited, a company listed on the Stock Exchange (Stock Code: 1750). In FY2016, both Ready Electrical Metal Work Limited and Shun Tat M&E Equipment Limited shared a common shareholder, namely Ready Engineering Limited, which interested in 45% and 40% of Ready Electrical Metal Work Limited and Shun Tat M&E Equipment Limited, respectively. Therefore, for the sake of prudence, the purchases from them are aggregated together. Our Directors are of the view that the transactions between our Group and Ready Electrical Metal Work Limited and Shun Tat M&E Equipment Limited were conducted on normal commercial terms.

4. Customer A, Supplier F and Subcontractor A belong to the same group, the holding company of which is listed in Hong Kong.

FY2017

Supplier [Note 1]	Background	Products sold to us	Purchase (MOP'000)	Approximate % of our purchase	Length of business relationship with us
Supplier B	A Hong Kong company engaging in sales of mid-to-low voltage cables and telecommunication cables	Cables	16,462	26.4%	Since 2016
Supplier A	Two Hong Kong companies within the same group engaging in trading of electrical and cable containment products	Cable trays, trunkings and containments	9,876	15.8%	Since 2008
Supplier F [Note 3]	Companies within the same group listed in Hong Kong engaging in, among others, design, installation, repair and maintenance of electrical, mechanical, heat ventilation and air-conditioning systems, trading of electrical installation products and electrical generators, and building construction and foundation piling	Distribution boards and wiring accessories	7,372	11.8%	Since 2007
Supplier G	A Hong Kong company with its parent company headquartered in Germany, being a global enterprise focusing on the areas of electrification, automation and digitalisation and one of the world's largest producers of energy-efficient, resource-saving technologies, and a leading supplier of systems for power generation and transmission as well as medical diagnosis, the shares of which are listed on Frankfurt Stock Exchange (DAX Component), and the annual revenue of which was approximately EUR83,044 million in 2018	Busbar system	6,558	10.5%	Since 2017

Supplier *(Note 1)*	Background	Products sold to us	Purchase *(MOP'000)*	Approximate % of our purchase	Length of business relationship with us
Supplier C	A Hong Kong company with its parent company headquartered in France, being a global specialist in digital transformation of energy management and automation in homes, buildings, data centers, infrastructure and industries, the shares of which are listed on Euronext Paris (compartment A), and the annual revenue of which was approximately EUR25.7 billion in 2018	Distribution boards and wiring accessories	5,447	8.7%	Since 2007
		Total *(Note 2)*:	45,715	73.2%	

Notes:

1. Our top five suppliers in FY2017 are all Independent Third Parties and unrelated to each other.

2. The figures and percentages above may not add up to the total due to rounding.

3. Customer A, Supplier F and Subcontractor A belong to the same group listed in Hong Kong.

FY2018

Supplier [Note 1]	Background	Products sold to us	Purchase *(MOP'000)*	Approximate % of our purchase	Length of business relationship with us
Supplier A	Two Hong Kong companies within the same group engaging in trading of electrical and cable containment products	Cable trays, trunkings and containments	14,584	27.4%	Since 2008
Supplier B	A Hong Kong company engaging in sales of mid-to-low voltage cables and telecommunication cables	Cables	11,425	21.5%	Since 2016
Supplier C	A Hong Kong company with its parent company headquartered in France, being a global specialist in digital transformation of energy management and automation in homes, buildings, data centers, infrastructure and industries, the shares of which are listed on Euronext Paris (compartment A), and the annual revenue of which was approximately EUR25.7 billion in 2018	Distribution boards and wiring accessories	4,232	7.9%	Since 2007
Supplier D [Note 3]	A Macau engineering company engaging in provision of air-conditioning engineering and related installation	Distribution boards	3,617	6.8%	Since 2014
Supplier E	A Hong Kong lighting company	Light fittings	3,375	6.3%	Since 2016
		Total [Note 2]:	37,233	69.9%	

Notes:

1. Our top five suppliers in FY2018 are all Independent Third Parties and unrelated to each other.

2. The figures and percentages above may not add up to the total due to rounding.

3. Customer B, Supplier D and Subcontractor D refer to the same entity.

7M2019

Supplier *(Note 1)*	Background	Products sold to us	Purchase *(MOP'000)*	Approximate % of our purchase	Length of business relationship with us
Supplier A	Two Hong Kong companies within the same group engaging in trading of electrical and cable containment products	Cable trays, trunkings and containments	5,032	34.8%	Since 2008
Supplier B	A Hong Kong company engaging in sales of mid-to-low voltage cables and telecommunication cables	Cables	1,993	13.8%	Since 2016
Supplier C	A Hong Kong company with its parent company headquartered in France, being a global specialist in digital transformation of energy management and automation in homes, buildings, data centers, infrastructure and industries, the shares of which are listed on Euronext Paris (compartment A), and the annual revenue of which was approximately EUR25.7 billion in 2018	Distribution boards and wiring accessories	1,562	10.8%	Since 2007
Supplier I	One Hong Kong company and one Macau company within the same group engaging in sales of electrical, mechanical and lighting products in Hong Kong, the PRC and Macau	Lighting products and parts	1,231	8.5%	Since 2016

Supplier *(Note 1)*	Background	Products sold to us	Purchase *(MOP'000)*	Approximate % of our purchase	Length of business relationship with us
Supplier F *(Note 3)*	Companies within the same group listed in Hong Kong engaging in, among others, design, installation, repair and maintenance of electrical, mechanical, heat ventilation and air-conditioning systems, trading of electrical installation products and electrical generators, and building construction and foundation piling	Distribution boards and wiring accessories	947	6.5%	Since 2007
		Total*(Note 2)*:	10,765	74.4	

Notes:

1. Our top five suppliers in 7M2019 are all Independent Third Parties and unrelated to each other.

2. The figures and percentages above may not add up to the total due to rounding.

3. Customer A, Supplier F and Subcontractor A belong to the same group, the holding company of which is listed in Hong Kong.

In FY2016, FY2017, FY2018 and 7M2019, our cost of materials amounted to approximately MOP37.4 million, MOP58.6 million, MOP47.9 million and MOP13.1 million, representing approximately 35.3%, 37.4%, 37.2% and 16.7% of our total cost of sales, respectively.

In general, the quotations as we agreed with our suppliers of electrical equipment, materials and parts set out, among others, specification, quantity, delivery period, price rate and credit period. We generally settle the payment to our suppliers of electrical equipment, materials and parts within 60 days after delivery. We generally settle the payment by cheque in Hong Kong dollars.

We do not enter into any long-term supply agreement with our suppliers of electrical equipment, materials and parts. The price is determined by reference to the quotation as agreed by the parties and the delivery date of the electrical equipment, materials and parts are agreed by the parties on an order-by-order basis.

When the market price of the electrical equipment, materials and parts increases, for the potential projects, we can increase our tender price to our customers in order to transfer the increased cost pressure to our customers at the time of the tendering process. Nevertheless, we are not able to do so for the projects in progress because our contracts with our customers generally do not have any price adjustment mechanism for market price fluctuation of the electrical equipment, materials and parts.

Since defective electrical equipment, materials and parts and/or delays in delivery of the same from our suppliers would adversely affect the quality and progress of our works, our Directors consider that a stringent selection arrangement of our suppliers is necessary. We maintain an internal approved list of suppliers, which will be subject to our regular review based on a number of factors, including but not limited to, previous working relationship with us, business reputation, delivery time, quality of products, terms of payment and pricing level.

For each project, we generally invite more than one suppliers from our internal approved list of suppliers for quotations and our executive Directors will choose the most suitable supplier. Purchase cost, previous working relationship with us, product quality and delivery time are the major selection criteria of our executive Directors. Further, to minimise the concentration risk and avoid reliance on particular suppliers, we generally try to diversify our procurements with our different suppliers.

Since for each kind of electrical equipment, materials and parts, there are a number of suppliers from our internal approved list of suppliers, our Directors consider that it is feasible to engage alternative suppliers of electrical equipment, materials and parts for our Group. As such, our Directors consider that we did not overly rely on our suppliers of electrical equipment, materials and parts.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm that we did not experience any material difficulties or delays in performing our contracts due to material shortages or delays in supply of electrical equipment, materials and parts.

OUR SUBCONTRACTORS

During the Track Record Period, save and except the subcontracting activities in relation to the utilisation of the imported labour quota, details of which please refer to the paragraph headed "Our subcontractors – Imported workers" in this section, our subcontracted works include but not limited to (i) provision of certain electrical installation works including installation of distribution board, cable trunking, cable wiring and light fitting; (ii) provision of certain works which required specific skill sets including main and sub-main cable installation, installation of silencer and black steel pipe, supply, technical support and testing and commissioning of certain ELV systems, installation and delivery of generator, and supply and installation of medium voltage genset fuel system; (iii) provision of mechanical, ventilation and air-conditioning installations; (iv) provision of certain plumbing works; and (v) provision of general labour support. In general, our engagements with our subcontractors are on a

case-by-case basis and are non-recurring in nature. We did not enter into any other long term contracts with any of our subcontractors during the Track Record Period and up to the Latest Practicable Date.

Excluding those subcontracting fee in relation to the utilisation of the imported labour quota, our subcontracting fee is generally determined based on the estimated cost to be incurred by our subcontractors, mainly including labour cost, and cost of electrical equipment, materials and parts, plus a certain mark-up margin.

During the Track Record Period, excluding those subcontractors in relation to the utilisation of the imported labour quota, we engaged approximately 22 subcontractors. In FY2016, FY2017, FY2018 and 7M2019, the total cost in engaging for subcontracting works (i.e. excluding those subcontracting fee in relation to the utilisation of the imported labour quota) amounted to approximately MOP46.3 million, MOP67.9 million, MOP44.3 million and MOP47.2 million, representing approximately 43.7%, 43.4%, 34.3% and 60.5% of our total cost of sales, respectively.

For the same periods, the cost in engaging our top five subcontractors amounted to approximately MOP55.1 million, MOP82.8 million, MOP57.4 million and MOP51.5 million respectively, representing approximately 86.2%, 90.9%, 79.6% and 82.9% of our total subcontracting costs respectively. For the same periods, the cost in engaging our largest subcontractor amounted to approximately MOP17.2 million, MOP45.2 million, MOP24.7 million and MOP23.5 million respectively, representing approximately 26.9%, 49.5%, 34.2% and 37.9% of our total subcontracting costs respectively.

Further, save and except (i) Customer A, Supplier F and Subcontractor A; (ii) Customer B, Supplier D and Subcontractor D; and (iii) Customer C and Subcontractor F, our top five subcontractors engaged by us are not our top five customers, nor our top five suppliers, nor vice versa.

The following tables set forth the details of our top five subcontractors during the Track Record Period:

FY2016

Subcontractor *(Note 1)*	Background	Types of subcontracting works provided to us	Subcontracting costs *(MOP'000)*	Approximate % of our subcontracting costs	Length of business relationship with us
Subcontractor A *(Note 3)*	Companies within the same group listed in Hong Kong engaging in, among others, design, installation, repair and maintenance of electrical, mechanical, heat ventilation and air-conditioning systems, trading of electrical installation products and electrical generators, and building construction and foundation piling	Provision of imported labour workforce, supply and installation of various electrical systems	17,210	26.9%	Since 2007
Subcontractor F *(Note 4)*	A Macau company engaging in civil engineering business in Macau, being a subsidiary of a company listed in Hong Kong	Supply and installation of cable trunking and tray, generator and busbar, provision of fitting out works, and electrical installation	16,607	26.0%	Since 2015
Subcontractor B	A Macau company engaging in electrical installation	Provision of imported labour workforce, electrical installation, water pipes relocation and temporary lighting installation	10,885	17.0%	Since 2012

Subcontractor [Note 1]	Background	Types of subcontracting works provided to us	Subcontracting costs *(MOP'000)*	Approximate % of our subcontracting costs	Length of business relationship with us
Subcontractor D [Note 5]	A Macau engineering company engaging in provision of air-conditioning engineering and related installation	Provision of imported labour workforce	6,883	10.8%	Since 2014
Subcontractor G	A Macau company engaging in provision of electrical installation and general labour support	Electrical installation	3,501	5.5%	Since 2008
		Total [Note 2]:	55,086	86.2%	

Notes:

1. Our top five subcontractors in FY2016 are all Independent Third Parties and unrelated to each other.
2. The figures and percentages above may not add up to the total due to rounding.
3. Customer A, Supplier F and Subcontractor A belong to the same group listed in Hong Kong.
4. Customer C and Subcontractor F refer to the same entity.
5. Customer B, Supplier D and Subcontractor D refer to the same entity.

FY2017

Subcontractor [Note 1]	Background	Types of subcontracting works provided to us	Subcontracting costs *(MOP'000)*	Approximate % of our subcontracting costs	Length of business relationship with us
Subcontractor A [Note 3]	Companies within the same group listed in Hong Kong engaging in, among others, design, installation, repair and maintenance of electrical, mechanical, heat ventilation and air-conditioning systems, trading of electrical installation products and electrical generators, and building construction and foundation piling	Provision of imported labour workforce, and supply, installation, testing and commissioning various electrical systems	45,154	49.5%	Since 2007
Subcontractor F [Note 4]	A Macau company engaging in civil engineering business in Macau, being a subsidiary of a company listed in Hong Kong	Supply and installation of cable trunking and tray, generator and busbar, provision of fitting out works, and electrical installation	22,295	24.5%	Since 2015
Subcontractor D [Note 5]	A Macau engineering company engaging in provision of air-conditioning engineering and related installation	Provision of imported labour workforce	7,754	8.5%	Since 2014
Subcontractor C	A Macau company engaging in provision of electrical installation	Electrical installation	4,323	4.7%	Since 2015

Subcontractor [Note 1]	Background	Types of subcontracting works provided to us	Subcontracting costs *(MOP'000)*	Approximate % of our subcontracting costs	Length of business relationship with us
Subcontractor G	A Macau company engaging in provision of electrical installation and general labour support	Electrical installation	3,276	3.6%	Since 2008
		Total [Note 2]:	82,802	90.9%	

Notes:

1. Our top five subcontractors in FY2017 are all Independent Third Parties and unrelated to each other.
2. The figures and percentages above may not add up to the total due to rounding.
3. Customer A, Supplier F and Subcontractor A belong to the same group listed in Hong Kong.
4. Customer C and Subcontractor F refer to the same entity.
5. Customer B, Supplier D and Subcontractor D refer to the same entity.

FY2018

Subcontractor [Note 1]	Background	Types of subcontracting works provided to us	Subcontracting costs *(MOP'000)*	Approximate % of our subcontracting costs	Length of business relationship with us
Subcontractor A [Note 3]	Companies within the same group listed in Hong Kong engaging in, among others, design, installation, repair and maintenance of electrical, mechanical, heat ventilation and air-conditioning systems, trading of electrical installation products and electrical generators, and building construction and foundation piling	Provision of imported labour workforce, and supply, installation, testing and commissioning various electrical systems	24,685	34.2%	Since 2007
Subcontractor B	A Macau company engaging in electrical installation	Electrical installation	10,026	13.9%	Since 2012
Subcontractor C	A Macau company engaging in provision of electrical installation and general labour support	Electrical installation	9,586	13.3%	Since 2015
Subcontractor D [Note 4]	A Macau engineering company engaging in provision of air-conditioning engineering and related installation	Provision of imported labour workforce	8,197	11.4%	Since 2014
Subcontractor E	A Hong Kong company and an unincorporated Hong Kong company within the same group engaging in cable engineering	Cable installation	4,914	6.8%	Since 2017
		Total [Note 2]:	57,408	79.6%	

Notes:

1. Our top five subcontractors in FY2018 are all Independent Third Parties and unrelated to each other.
2. The figures and percentages above may not add up to the total due to rounding.
3. Customer A, Supplier F and Subcontractor A belong to the same group listed in Hong Kong.
4. Customer B, Supplier D and Subcontractor D refer to the same entity.

7M2019

Subcontractor *(Note 1)*	Background	Types of subcontracting works provided to us	Subcontracting costs *(MOP'000)*	Approximate % of our subcontracting costs	Length of business relationship with us
Subcontractor A *(Note 3)*	Companies within the same group listed in Hong Kong engaging in, among others, design, installation, repair and maintenance of electrical, mechanical, heat ventilation and air-conditioning systems, trading of electrical installation products and electrical generators, and building construction and foundation piling	Provision of imported labour workforce, and supply, installation, testing and commissioning various electrical systems	23,517	37.9%	Since 2007
Subcontractor D *(Note 4)*	A Macau engineering company engaging in provision of air-conditioning engineering and related installation	Provision of imported labour workforce	9,742	15.7%	Since 2014
Subcontractor G	A Macau company engaging in provision of electrical installation and general labour support	Electrical installation and temporary lighting installation	6,982	11.2%	Since 2008
Subcontractor C	A Macau company engaging in provision of electrical installation	Electrical installation	5,806	9.4%	Since 2015

Subcontractor [Note 1]	Background	Types of subcontracting works provided to us	Subcontracting costs *(MOP'000)*	Approximate % of our subcontracting costs	Length of business relationship with us
Subcontractor H	A Hong Kong company engaging in air-conditioning engineering and electrical works	Supply and installation of fire damper in genset room	5,419	8.7%	Since 2015
		Total [Note 2]:	51,466	82.9%	

Notes:

1. Our top five subcontractors in 7M2019 are all Independent Third Parties and unrelated to each other.
2. The figures and percentages above may not add up to the total due to rounding.
3. Customer A, Supplier F and Subcontractor A belong to the same group listed in Hong Kong.
4. Customer B, Supplier D and Subcontractor D refer to the same entity.

Customer A, Supplier F and Subcontractor A belong to the same group listed in Hong Kong. In FY2016, FY2017, FY2018 and 7M2019, our revenue attributable to Customer A amounted to approximately MOP63.5 million, MOP147.2 million, MOP65.7 million and MOP38.3 million respectively, representing approximately 45.4%, 70.8%, 35.5% and 34.8% of our total revenue respectively. For the same periods, our purchase attributable to Supplier F were approximately MOP7.0 million, MOP7.4 million, MOP0.7 million and MOP0.9 million respectively, representing approximately 18.1%, 11.8%, 1.3% and 6.5% of our total purchase respectively. For the same periods, our subcontracting costs attributable to Subcontractor A were approximately MOP17.2 million, MOP45.2 million, MOP24.7 million and MOP23.5 million respectively, representing approximately 26.9%, 49.5%, 34.2% and 37.9% of our total subcontracting costs respectively. The gross profit with Customer A was approximately MOP12.3 million, MOP29.9 million, MOP14.1 million and MOP12.5 million for the same periods respectively. On top of the reason of allocation of the imported labour quota to us, our Directors consider that we had such arrangement with Customer A, Supplier F and Subcontractor A was generally attributable to our established long-term business relationship with them.

Customer B, Supplier D and Subcontractor D refer to the same entity. In FY2016, FY2017, FY2018 and 7M2019, our revenue attributable to Customer B amounted to approximately MOP47.2 million, MOP38.6 million, MOP47.3 million and MOP39.0 million respectively, representing approximately 33.8%, 18.6%, 25.5% and 35.5% of our total revenue respectively. For the same periods, our purchase attributable to Supplier D were approximately MOP23,500, MOP53,696, MOP3.6 million and nil respectively, representing approximately 0.1%, 0.1%, 6.8%

and nil of our total purchase respectively. For the same periods, our subcontracting costs attributable to Subcontractor D were approximately MOP6.9 million, MOP7.8 million, MOP8.2 million and MOP9.7 million respectively, representing approximately 10.8%, 8.5%, 11.4% and 15.7% of our total subcontracting costs respectively. The gross profit with Customer B was approximately MOP13.8 million, MOP13.0 million, MOP18.1 million and MOP10.1 million for the same periods respectively. On top of the reason of allocation of the imported labour quota to us, our Directors consider that we had such arrangement with Customer B, Supplier D and Subcontractor D was generally attributable to our established long-term business relationship with them.

Customer C and Subcontractor F refer to the same entity. In FY2016, FY2017, FY2018 and 7M2019, our revenue attributable to Customer C amounted to approximately MOP4.9 million, nil, MOP42.2 million and MOP13.8 million respectively, representing approximately 3.5%, nil, 22.8% and 12.6% of our total revenue respectively. For the same periods, our subcontracting costs attributable to Subcontractor F were approximately MOP16.6 million, MOP22.3 million, MOP3.7 million and MOP2.9 million respectively, representing approximately 26.0%, 24.5%, 5.1% and 4.6% of our total subcontracting costs respectively. The gross profit with Customer C was approximately MOP0.8 million, nil, MOP14.3 million and MOP3.6 million for the same periods respectively. On top of the reason of allocation of the imported labour quota to us, our Directors consider that we had such arrangement with Customer C and Subcontractor F was generally attributable to our established long-term business relationship with them.

In FY2016, FY2017, FY2018 and 7M2019, our revenue attributable to Customer D amounted to approximately MOP9.4 million, MOP5.6 million, MOP14.5 million and MOP8.6 million respectively, representing approximately 6.7%, 2.7%, 7.8% and 7.8% of our total revenue respectively. For the same periods, Customer D had also been our subcontractor, while our subcontracting costs attributable to Customer D were approximately MOP2.1 million, MOP1.2 million, MOP2.7 million and MOP1.2 million respectively, representing approximately 3.3%, 1.4%, 3.7% and 1.9% of our total subcontracting costs respectively. The gross profit with Customer D was approximately MOP3.3 million, MOP3.5 million, MOP4.3 million and MOP2.0 million for the same periods respectively. On top of the reason of allocation of the imported labour quota to us, our Directors consider that we had such arrangement with Customer D was generally attributable to our established long-term business relationship with them.

Since we generally have to bear responsibilities to our customers in respect of the defective works and/or delays in works of our subcontractors, our Directors consider that a stringent selection arrangement of our subcontractors is necessary. We maintain an internal approved list of subcontractors, which will be subject to our regular review based on a number of factors, including but not limited to, previous working relationship with us, business reputation, work capacity, work quality of previous projects, terms of payment and pricing level, and record of safety and environmental compliance.

For each subcontract, we generally invite more than one subcontractors from our internal approved list of subcontractors for quotations and our executive Directors will choose the most suitable subcontractor. Subcontracting cost, previous working relationship with us, work quality

and work efficiency are the major selection criteria of our executive Directors. Further, to minimise the concentration risk and avoid reliance on particular subcontractors, we generally try to diversify our subcontracting engagements with our different subcontractors.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties or delays in performing our contracts due to material difficulties in identifying or engaging the required subcontractors. Further, our Directors considered that we had stable relationships with our subcontractors and confirmed that we had no material dispute with our subcontractors in respect of the subcontracts with them during the Track Record Period.

Additional information for Subcontractor A, Subcontractor D, Subcontractor F and Customer D

The following table sets forth the breakdown of subcontracting cost by (i) cost in engaging imported workers; and (ii) cost in engaging for subcontracting works, of Subcontractor A, Subcontractor D, Subcontractor F and Customer D during the Track Record Period:

	Subcontractor A		**Subcontractor D**		**Subcontractor F**		**Customer D**	
	(MOP'000)	*%*	*(MOP'000)*	*%*	*(MOP'000)*	*%*	*(MOP'000)*	*%*
FY2016								
Cost in engaging imported workers	6,818	39.6	6,883	100.0	Nil	Nil	2,139	100.0
Cost in engaging for subcontracting works	10,392	60.4	Nil	Nil	16,607	100.0	Nil	Nil
Subcontracting cost	17,210	100.0	6,883	100.0	16,607	100.0	2,139	100.0
FY2017								
Cost in engaging imported workers	12,873	28.5	7,754	100.0	Nil	Nil	1,234	100.0
Cost in engaging for subcontracting works	32,281	71.5	Nil	Nil	22,295	100.0	Nil	Nil
Subcontracting cost	45,154	100.0	7,754	100.0	22,295	100.0	1,234	100.0
FY2018								
Cost in engaging imported workers	12,820	51.9	8,197	100.0	3,466	94.6	2,665	100.0
Cost in engaging for subcontracting works	11,865	48.1	Nil	Nil	196	5.4	Nil	Nil
Subcontracting cost	24,685	100.0	8,197	100.0	3,662	100.0	2,665	100.0

	Subcontractor A		Subcontractor D		Subcontractor F		Customer D	
	(MOP'000)	*%*	*(MOP'000)*	*%*	*(MOP'000)*	*%*	*(MOP'000)*	*%*
7M2019								
Cost in engaging imported workers	739	3.1	9,742	100.0	2,877	100.0	1,154	100.0
Cost in engaging for subcontracting works	22,778	96.9	Nil	Nil	Nil	Nil	Nil	Nil
Subcontracting cost	23,517	100.0	9,742	100.0	2,877	100.0	1,154	100.0

From the table above, all the subcontracting cost attributable to Subcontractor D and Customer D during the Track Record Period were attributable to the cost in engaging imported workers. We did not engage Subcontractor D and Customer D for any subcontracting works during the Track Record Period.

The subcontracting works provided by Subcontractor F in FY2016, FY2017 and FY2018 were for Projects P1, P2 and/or P3, the customers of which were Customers A1, A2 and B, respectively. We did not engage Subcontractor F for any subcontracting works during the Track Record Period for any project which Customer C (i.e. the same entity as Subcontractor F) was the customer. The following table sets forth the breakdown of the types of subcontracting works provided by Subcontractor F during the Track Record Period:

		FY2016		FY2017		FY2018		7M2019	
Description	**Project**	*(MOP'000)*	*%*	*(MOP'000)*	*%*	*(MOP'000)*	*%*	*(MOP'000)*	*%*
Supply and installation of generator and busbar	P3	1,032	6.2	2,520	11.3	Nil	Nil	Nil	Nil
Supply and installation of cable trunking and tray	P2	1,200	7.2	9,345	41.9	196	100.0	Nil	Nil
Provision of fitting out and electrical and mechanical works	P1	14,375	86.6	10,430	46.8	Nil	Nil	Nil	Nil
	Total:	16,607	100.0	22,295	100.0	196	100.0	Nil	Nil

Our Directors confirm that the engagement of Subcontractor F were not inter-conditional upon the award of Projects P1, P2 and/or P3 and were conducted on normal commercial terms.

The subcontracting works provided by Subcontractor A during the Track Record Period involved four entities (all of which belong to the same group listed in Hong Kong), namely Customer A1 ("**Subcontractor A1**"), Customer A2 ("**Subcontractor A2**"), a Hong Kong company engaging in design, installation, repair and maintenance of electrical and mechanical systems ("**Subcontractor A3**") and a Hong Kong company engaging in trading of electrical

generators ("**Subcontractor A4**"). The following table sets forth the breakdown of the types of subcontracting works provided by Subcontractors A1, A2, A3 and A4 during the Track Record Period:

		FY2016		FY2017		FY2018		7M2019	
Description	**Project**	*(MOP'000)*	*%*	*(MOP'000)*	*%*	*(MOP'000)*	*%*	*(MOP'000)*	*%*
Subcontractor A1									
Dismantlement of fire damage electrical works, painting, cutting all necessary holes, chases, openings and make good	P3	Nil	Nil	Nil	Nil	Nil	Nil	3,000	13.2
Contra-charge of fixing of wooden ceiling for electrical work	P1	Nil	Nil	871	2.7	Nil	Nil	Nil	Nil
Dismantlement of painting, provision and/or cutting all necessary holes, chases, opening and make good after installation of electrical services	P9	Nil	Nil	Nil	Nil	Nil	Nil	5,000	22.0
Dismantlement of fire damage electrical works, painting, cutting all necessary holes, chases, openings and make goods	P11	Nil	Nil	Nil	Nil	Nil	Nil	3,200	14.0
Refillment of wall and slab opening works	S16	Nil	Nil	Nil	Nil	Nil	Nil	492	2.2
Subcontractor A2									
Technical support and site coordination of electrical works for diesel fuel	S1	Nil	Nil	Nil	Nil	Nil	Nil	500	2.2
Contra-charge of providing installation of wiring accessories and testing	P2	3,142	30.2	543	1.7	Nil	Nil	Nil	Nil
Provision of air-conditioning, plumbing and drainage works	P1	7,150	68.8	28,032	86.8	10,843	91.4	5,136	22.4
Technical support and site coordination of electrical works	S9	Nil	Nil	Nil	Nil	Nil	Nil	450	2.0
Supply and installation of additional pool lighting	P10	Nil	Nil	Nil	Nil	Nil	Nil	4,500	19.8

Description	Project	FY2016 (MOP'000)	%	FY2017 (MOP'000)	%	FY2018 (MOP'000)	%	7M2019 (MOP'000)	%
Technical support and site coordination of electrical works for mechanical ventilation and air-conditioning system	S13	Nil	Nil	Nil	Nil	Nil	Nil	500	2.2
Subcontractor A3									
Supply, technical support and testing and commissioning works of extra-low voltage system	S17	101	1.0	Nil	Nil	Nil	Nil	Nil	Nil
Subcontractor A4									
Testing and commissioning and supply of extra-low voltage system	P2	Nil	Nil	2,835	8.8	1,022	8.6	Nil	Nil
	Total:	10,392	100.0	32,281	100.0	11,865	100.0	22,778	100.0

From the table above, save for the contra-charge of fixing of wooden ceiling for electrical work at approximately MOP0.9 million which our Directors confirm that the same was one-off in nature and was provided upon our request on an urgent basis, all the subcontracting works were provided to the projects which Customer A was not the relevant customer. The subcontracting works we engaged Subcontractor A1 to provide for were more relevant to structural works such as dismantling, cutting, fixing and making good.

For Subcontractor A2, save for the contra-charge of providing installation of wiring accessories and testing for Project P2 and the provision of air-conditioning, plumbing and drainage works for Project P1, all the subcontracting works were provided to the projects which Customer A was not the relevant customer. To the best knowledge of our Directors based on the long-establishing business relationships with Customer A2 since 2007, Customers/Subcontractors A1 and A2, despite belong to the same listed group in Hong Kong, engage into two difference business segments and are operated independently under different management teams. The relevant subcontracting works we engaged Subcontractor A2 to provide for were relating to mechanical ventilation and air-conditioning, plumbing, drainage and lighting (since our focus is on electrical-related E&M engineering works) and miscellaneous works including technical support and site coordination principally due to project progress management and cost effectiveness. As confirmed by our Directors, the contra-charge arrangement of providing installation of wiring accessories and testing was one-off in nature and was provided upon our request on an urgent basis.

For Subcontractors A3 and A4, the relevant subcontracting works were provided to the projects which Customer A2 was the relevant customer. To the best knowledge of our Directors based on the long-establishing business relationships with Customer A2 since 2007, Subcontractors A3 and A4 belong to the Hong Kong E&M operating arm of the listed group where they belong to, while Subcontractor A2 belongs to the Macau E&M operating arm of the same listed group, which are supervised under different management teams. The relevant subcontracting works we engaged Subcontractors A3 and A4 to provide for were relating to extra-low voltage system principally due to project progress management and cost effectiveness.

Our Directors confirm that the engagement of Subcontractors A1, A2, A3 and A4 were not inter-conditional upon the award of the projects in the table above and were conducted on normal commercial terms.

The cost in engaging for subcontracting works attributable to Customer A increased from approximately MOP11.9 million in FY2018 to MOP22.8 million in 7M2019. On top of the cost in engaging for subcontracting works attributable to Customer A2 which was about the provision of air-conditioning, plumbing and drainage works for Project P1 at approximately MOP5.1 million in 7M2019 (which had also incurred in FY2016, FY2017 and FY2018), the substantial increase in cost in engaging for subcontracting works was due to our engagement of Customer A for the provision of the relevant subcontracting works at the total cost of approximately MOP12.5 million for Projects P3, P9 and P10, which belong to the same casino and hotel development project at Cotai, Macau. Such casino and hotel development project at Cotai, Macau was originally scheduled by the employer to have grand opening at the first half of 2018. Nevertheless, due to several accidents (including Typhoon Hato in 2017 and a number of fire accidents with the latest one happened in November 2018), the grand opening was delayed to the second half of 2019. In order to catch up the current schedule of grand opening, we engaged Customer A to provide the relevant subcontracting works to speed-up the rectification on those works damaged by the accidents.

Customer A, Supplier F and Subcontractor A belong to the same group listed in Hong Kong. In FY2016, FY2017, FY2018 and 7M2019, our purchase attributable to Supplier F were approximately MOP7.0 million, MOP7.4 million, MOP0.7 million and MOP0.9 million respectively, representing approximately 18.1%, 11.8%, 1.3% and 6.5% of our total purchase respectively.

The purchases at approximately MOP7.0 million and MOP7.3 million in FY2016 and FY2017 respectively, were from Customer A2, which were attributable to the purchase of distribution boards and wiring accessories in Project P2 (the customer of which was also Customer A2). Such purchase was a contra-charge arrangement with Customer A2. Project P2 was about installation and supply of electrical system, rather than installation only. Therefore, the contract sum of Project P2 includes the purchase of materials and we are supposed to directly order the materials from the suppliers for our installation. Nevertheless, we also asked Customer A2 to provide us the quotation for the distribution boards and wiring accessories and Customer A2 was given to understand that their quotation was more favourable to others. Therefore, we procured these materials from Customer A2 and they agreed to deduct such

purchase of materials in our subsequent progress payments by way of contra-charge arrangement.

Customer B, Supplier D and Subcontractor D refer to the same entity. In FY2016, FY2017, FY2018 and 7M2019, our purchase attributable to Supplier D were approximately MOP23,500, MOP53,696, MOP3.6 million and nil respectively, representing approximately 0.1%, 0.1%, 6.8% and nil of our total purchase respectively.

The purchase at approximately MOP3.6 million in FY2018 was attributable to the purchase of distribution boards in Project P3 (the customer of which was also Customer B) for the rectification work carried by us due to the flooding accident caused by Typhoon Hato in 2017 in the relevant casino and hotel development project at Cotai, Macau. Such purchase was a contra-charge arrangement with Customer B that Customer B arranged to purchase all the equipment for replacement and rectification in one go including for themselves and all the subcontractors under Customer B (including us).

Major contract terms with our subcontractors

Generally, the terms of our contracts with our customers apply to our subcontractors in so far as they relate to the execution of the relevant subcontract works. The major contract terms with our subcontractors include, among other things: (i) scope of subcontract works; (ii) price; (iii) terms of payment; and (iv) defect liability period. In particular, payments will generally be made to our subcontractors on "pay when paid" basis, in the sense that we will only make payment to our subcontractors after we have received our progress payments from our customers. In general, payments will be made within 14 to 21 days from the date of our receipt of progress payments from our customers.

Imported workers

In Macau, no illegal labour shall be employed on the construction site or in connection with the contract works. All imported workers must obtain the working permit issued by the relevant Macau authority. The issue of working permit to an imported worker is in accordance with the imported labour quota granted by the relevant Macau authority to the relevant employer.

With the support of Frost & Sullivan Report, the construction business is labour intensive. A stable and sufficient supply of skilled labour workforce is crucial for every construction project to ensure the quality of works and services, and efficient and reliable time and site management. There is a constant shortage of local labour with appropriate skills in Macau. Generally, construction companies in Macau rely on, to a large extent, imported workers to carry out construction projects in Macau. Based on the scale of the construction site, the amount of imported labour quota is assigned to the market participants. It is a general industry practice in Macau, especially in the major construction projects, for the main contractors to apply for working permits for the imported workers under the imported labour quota system in Macau, while the remaining imported labour quota able to be granted to the subcontractors is therefore

limited (subject to the discretion of the relevant Macau authority). As such, the main contractor (or in some cases, the first-tier subcontractor) will utilise its imported labour quota granted to it by the relevant Macau authority with its subcontractors at all tiers.

In FY2016, FY2017 and FY2018, we did not have our own imported labour quota and had to utilise the imported labour quota of our customers of the relevant projects. In 7M2019, we have been granted two imported labour quota.

We have maintained our internal approved list of imported workers, with origins mainly from the PRC, which are subject to our regular review based on a number of factors, including but not limited to, previous working relationship with us, business reputation, work capacity, work quality of previous projects, terms of payment and pricing level, and record of safety and environmental compliance.

We selected and nominated suitable imported workers from our internal approved list of imported workers to our customers and/or the main contractors for the allocation of the imported labour quota. Upon the acceptance of our customers and/or the main contractors, they will employ those imported workers and apply to the relevant Macau authority for working permits for them as the imported labour, and then delegate them to work for us for the relevant projects, while we shall bear all the relevant cost incurred such as their salaries and insurance expenses, which is recognised as our subcontracting cost.

Therefore, during the Track Record Period, a majority of our subcontractors was also our customers and a majority of subcontracting cost was attributable to the engagement of these imported workers from the PRC.

Our nominated imported workers work for us on a project basis. Comparing to employment of a team of full-time local workers, our Directors are of the view that the engagement of imported workers on a project basis enables us to maintain flexibility. Further, since our imported workers are mainly with origins from the PRC, comparing with the local workers in Macau, cost in engaging our imported workers are relatively less. According to the Frost & Sullivan Report, the average daily wage of local construction worker in Macau was from MOP754 in 2013 to MOP986 in 2018, while the average daily wage of non-resident construction worker in Macau was from MOP520 in 2013 to MOP622 in 2018.

Besides the aforesaid imported workers, we also arrange our Hong Kong staff, who are the members of the relevant project team, to apply for the imported labour quota from our customers and/or the main contractors such that they can work in the Macau construction site.

As at the Latest Practicable Date, there are three staff employed by SEM Resources in Hong Kong have been allocated imported labour quota by the relevant customers and/or main contractors and obtained working permits issued by the relevant Macau authority such that they can work in the construction sites in Macau. As such, the remuneration payable to them were in

two parts, one part was recognised as direct labour cost and the other part was recognised as subcontracting cost (payable to the relevant customers and/or main contractors on a back-to-back basis).

There is no guarantee that the numbers of imported labour quota requested by us will be fully satisfied by our customers and/or the main contractors. If the imported labour quota allocated to us is insufficient, we may need to employ appropriate number of suitable local workers in Macau and/or engage subcontractors. In stating so, our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties or delays in performing our works due to insufficient allocation of imported labour quota to us.

As advised by our legal advisers as to Macau law, the aforesaid arrangement with our customers and/or the main contractors in relation to the allocation of imported labour quota does not violate any Macau law.

As advised by our legal advisers as to Macau law, in relation to our Group's imported workers arrangement, our customers and/or the main contractors shall assume the role and responsibilities as the employers of the imported workers under the Macau law, which shall include (i) ensuring due payment of salaries to the employees; (ii) ensuring a safe, clean and environmentally friendly working condition for the employees; (iii) contributing to the Social Security Fund for the employees; (iv) obtaining compulsory industrial accident insurance for the employees; (v) in the event an industrial accident occurs, notifying the Labour Affairs Bureau of Macau within 24 hours of the accident, or the time that the employers acknowledge, and also the insurer within the period as regulated under the insurance policy; and (vi) ensuring the employees who work on construction sites to hold valid occupational safety cards.

Although our customers and/or the main contractors remain as the legal employers of our imported workers, we have at all material times used our best endeavours to facilitate and procure due compliance of the aforesaid employers' obligations for our customers and/or the main contractors (since in practice, all these imported workers are delegated to work for us and under the supervision of and management by our project team), failing which there is a risk that we may not be allocated by them any further imported labour quota which would adversely affect our operations.

In any event, save that not being our direct staff on paper, our imported workers were analogous with our direct staff in the terms of operation. They were "working for us". In FY2016, FY2017, FY2018 and 7M2019, we have engaged 67, 122, 165 and 141 imported workers and the total cost in engaging our imported workers amounted to approximately MOP17.6 million, MOP23.2 million, MOP27.9 million and MOP14.9 million, representing approximately 16.6%, 14.8%, 21.7% and 19.0% of our total cost of sales, respectively.

MAJOR LICENCES AND QUALIFICATIONS

As advised by our legal advisers as to Macau laws, the legal requirement to register with the DSSOPT as a registered contractor for execution of construction works (實施工程) shall only apply to the main contractors of the relevant projects. Provided that the project employer or the main contractor has the required license to carry out the construction works, our Group is not required to obtain such license with DSSOPT. For details, please refer to the paragraph headed "Regulatory Overview – Macau laws and regulations – (A) Regulatory and supervisory authority" in the document.

In stating so, we applied and obtained qualification as a registered contractor for execution of construction works (實施工程) as our Directors consider that it would be in the best interest of our Group to do so because:

– in future, we may act as a main contractor; and

– the qualification of being a registered contractor for execution of construction works (實施工程) is public information and can be inspected in the website of the DSSOPT, and therefore could enhance our professional profile in the E&M engineering industry in Macau.

The following table sets out the details of our major licence(s) and qualification(s) as at the Latest Practicable Date:

Issuing authority	Qualification/licence	Holder	Validity period
DSSOPT	Registered contractor for execution of construction works (實施工程)	Ready System (Macau)	Up to 31 December 2019*(Note)*

Note: The application for renewal of the relevant licence or qualification up to 31 December 2020 is under processing and the renewed licence or qualification is expected to be issued by February 2020. As advised by our legal advisers as to Macau laws, since it is the common practice that the application for renewal will only be made after the lapse of the relevant licence or qualification, the relevant authority will not prosecute the holder of licence or qualification of failing to produce a valid licence or qualification during the renewal period between the expiry of the previous licence or qualification and the issue of the renewed licence or qualification.

With the support of the advice of our legal advisers as to Macau laws, our Directors confirm that our Group has obtained all the major statutory licences and permits for our business operation under the laws of Macau during the Track Record Period and up to the Latest Practicable Date.

COMPETITION

According to the Frost & Sullivan Report, proven track record, extensive experience combined with deep industry knowledge and expertise, sound reputation and sufficient capital flow are the major entry barriers. For further information, please refer to the paragraph headed "Industry Overview – Entry barriers" in the document. In view of the aforesaid, our Directors consider that our key competitors in the E&M engineering industry in Macau are those major

E&M engineering subcontractors especially those focus on private sector projects, specialise in electrical-related E&M engineering works, have strong financial resources and are large in size in the industry. We consider that the competition is intense.

In view of the competition in the industry, we believe that we are well equipped to compete with our competitors on our competitive strengths. We consider that our competitive strengths have contributed to our success. According to the Frost & Sullivan Report, as estimated, there are more than 200 E&M engineering contractors in Macau in 2018 and the E&M engineering industry in Macau is highly fragmented with the top five players contributing approximately 13.3% of revenue generated by E&M engineering services in 2018 (among which we ranked fifth and represented approximately 1.6% of the total market revenue in 2018). In stating so, we strive to achieve sustainable growth in our business by implementing the business strategies of (i) strengthening our financial position to undertake more sizeable E&M engineering projects; (ii) establishing an E&M maintenance department; and (iii) strengthening our manpower. We also believe that **[REDACTED]** will be a breakthrough in promoting our Group to the general public, further enhancing our brand and continued future business development. As such, even though the competition within the E&M engineering industry in Macau will continue to intensify in the future, we are confident that we are able to withstand the intense competition with our competitive strengths and business strategies. For further details of our competitive strengths and business strategies, please refer to the paragraphs headed "Our competitive strengths" in this section and "Future plans and **[REDACTED]** – Business strategies" in the document.

OUR EMPLOYEES

As at the Latest Practicable Date, we had 24 full-time employees who were directly employed by us in Hong Kong and Macau. The following table sets out the number of our full-time employees who were directly employed by us in Hong Kong and Macau by their functional role:

Functional role	Number of employees in Hong Kong *(Note)*	Number of employees in Macau	Total
Tendering and project management	3	Nil	3
Engineering, construction site supervision and safety	5	12	17
Accounting and administrative	2	2	4
Total:	10	14	24

Note: As at the Latest Practicable Date, there are three staff employed by SEM Resources in Hong Kong have been allocated imported labour quota by the relevant customers and/or main contractors and obtained working permits issued by the relevant Macau authority such that they can work in the construction sites in Macau. As such, the remuneration payable to them were in two parts, one part was recognised as direct

labour cost and the other part was recognised as subcontracting cost (payable to the relevant customers and/or main contractors on a back-to-back basis). For details of such arrangement, please refer to the paragraph headed "Our subcontractors – Imported workers" in this section.

Our department heads will prepare annual department headcount budgets for their respective department. Our project teams will also prepare their respective project forecasts. All these will be consolidated and submitted to our management for approval. If any of our departments and/or project teams need recruitment, requisition form would be prepared stating the reasons for requisition, key areas of responsibilities, job specifications and any extra requirements. Our administrative secretary will approve such requisition form and then issues recruitment advertisement.

We recruit our employees based on a number of factors such as their work experience, educational background, qualifications or certifications possessed and vacancies. We may recruit our employees by advertising on websites. During the Track Record Period, we did not engage any human resources agency for recruitment purpose.

Our new employees are generally subject to a three-month probation. On-the-job training will be provided to our new employees during the probation period by their respective supervisors. At the end of the probation period, we will conduct performance evaluation and the same is to be approved by our management before our new employees are appointed as our permanent employees.

Education and training will also be provided to our existing employees on various aspects including advanced knowledge and skills on machines operation, work safety and quality control on a continuing basis. Our Directors consider that our training programme can increase our overall efficiency and facilitate us to retain quality employees.

The remuneration package for our employees generally includes salary and bonuses. Our employees also receive welfare benefits, including retirement benefits, occupational injury insurance and other miscellaneous items. We conduct annual review of the performance of our employees for determining the level of bonus, salary adjustment and promotion of our employees. Our executive Directors will also conduct research on the remuneration packages offered for similar positions in the E&M engineering industry in Macau in order to keep our remuneration packages at a competitive level. We have also adopted the Share Option Scheme which will become effective upon **[REDACTED]**. The Share Option Scheme is designed to provide incentives and rewards to our employees.

We have not set up any trade union for our employees. We have not had any strikes or other material labour disputes that have materially disrupted our operations, during the Track Record Period and up to the Latest Practicable Date. Our Directors believe that we have maintained a good working relationship with our employees.

OUR PROPERTIES

As at the Latest Practicable Date, we own one property in Macau, the details of which are set out below:

Address	Usage	Area
Alameda Dr. Carlos d'Assumpção, 411–417, Praça Wong Chio Q19, Em Macau (澳門宋玉生廣場411–417號皇朝廣場19樓Q室)	Macau office	84.66 sq. m.

Our Directors confirm that no single property interest that forms part of our Group's non-property activities has a carrying amount of 15% or more of our total assets.

As at the Latest Practicable Date, we also lease the following properties from Independent Third Parties for our operations:

No.	Address	Usage	Expiry date	Rental type
1.	Unit A, 7/F, Connaught Harbourfront House, No. 35–36 Connaught Road West, Hong Kong	Hong Kong office	31 May 2021	Fixed rent
2.	Flat E, 2/F, The Hillsville, No. 167 Avenida de Kwong Tung, Taipa, Macau (澳門氹仔廣東大馬路167號悅景峰2樓E座)	Macau staff quarter	31 March 2020 *(Note)*	Fixed rent
3.	Flat A, 4/F, Tower 7 and car parking space No. 075C/V, LG1, Nova City, Rua de Nam Keng, Taipa, Macau (澳門氹仔南京街濠庭都會逸濠軒7座4樓A座及地庫車位075C/V號)	Macau staff quarter and car parking space	31 August 2020	Fixed rent
4.	Flat R, 3/F, Seng Hoi Hou Teng, No. 167 Rua de Paris, Zona Nova de Aterros do Porto Exterior (NAPE), Macau (澳門新口岸巴黎街167號星海豪庭紫星閣3樓R座)	Macau staff quarter	24 January 2021	Fixed rent

No.	Address	Usage	Expiry date	Rental type
5.	Flat G, 33/F, Tower 3, Lot 6, One Oasis Cotal South, Coloane, Macau (澳門路環金峰南岸地段6第3座尚澄峰33樓G室)	Macau staff quarter	3 June 2020	Fixed rent
6.	Unit D, 5/F, Edifício Industrial Wan Tai, No. 61–71 Rua Um do Bairro da Concórdia, Macau (澳門和樂坊第一街61–71號宏泰工業大廈5樓D座)	Macau warehouse	14 April 2020 *(Note)*	Fixed rent
7.	Flat A, 13/F, Tower 15, Nova City, Rua de Nam Keng, Taipa, Macau (澳門氹仔南京街濠庭都會映濠軒15座13樓A座)	Macau staff quarter	14 October 2020	Fixed rent
8.	Flat A, 35/F, Tower 15, Nova City, Rua de Nam Keng, Taipa, Macau (澳門氹仔南京街濠庭都會映濠軒15座35樓A座)	Macau staff quarter	14 May 2021	Fixed rent
9.	Car parking space No. 214, LG1, Nova City, Rua de Nam Keng, Taipa, Macau (澳門氹仔南京街濠庭都會地庫一層214號車位)	Macau car parking space	28 February 2021	Fixed rent
10.	Units 314 and 318, 3/F, Armazem Nam Kuong, No. 100 Rua do Dr. Lourenço Pereira Marques, Macau (澳門比厘喇馬忌士街100號南光公司貨倉3樓314及318庫位)	Macau warehouse	31 May 2021	Fixed rent

Note: The rental agreements will be renewed upon the expiry date of the lease period.

ENVIRONMENTAL PROTECTION

We are subject to environmental protection laws and regulations in Macau. For details of the laws and regulations in relation to environmental protection applicable to our business, please refer to the paragraph headed "Regulatory Overview – Macau laws and regulations – (B) Environmental protection" in the document.

We have established an environmental management system. For each project, we would identify environmental issues and assess the associated impacts on certain aspects including but not limited to, use of materials and resources, materials storage, waste management, water pollution, air emission and noise, and if necessary, we will revise our environmental protection

plan implemented. During the Track Record Period, we did not incur any material cost in relation to compliance with applicable environmental laws and regulations.

During the Track Record Period and up to the Latest Practicable Date, we were not prosecuted for any breach of any applicable environmental laws and regulations.

WORK SAFETY

Risks of accidents and injuries to workers in construction sites are inherent. We have implemented occupational health and safety measures for our employees and our subcontractors' employees. For details of our occupational health and safety measures, please refer to the paragraph headed "Work safety – Occupational health and safety measures" in this section.

During the Track Record Period and up to the Latest Practicable Date, we did not record any work injuries of our employees and the employees of our subcontractors in Hong Kong and Macau.

Occupational health and safety measures

To mitigate the risks of accidents and injuries, we have established our occupational health and safety management system to provide our employees and our subcontractors' employees with a safe and healthy working environment by specifying various safety measures, among others, as follows:

Safety personnel

As at the Latest Practicable Date, we have one site supervisor who is responsible for overseeing and implementation of our occupational health and safety management system.

System of handling work injuries

When there is any work injury, our workers shall immediately inform our site supervisors, who will first arrange the injured worker to receive proper medical treatment. Sick leave will also be granted according to the medical certificate received by the injured worker (if any) after medical treatment. In the meantime, we shall report such work injury to the site contact person of the main contractor (if such work injury happens in construction site), and if the injured worker is our employee, report such work injury to the Labour Affairs Bureau within the stipulated time, and also the insurer within the period as regulated under the insurance policy.

To facilitate our safety review, we maintain an internal record of our work injuries.

Machine maintenance

For each item of machines used in the construction site, testing is carried out before putting into service to ensure the condition of the same meeting the safety criteria. Our site supervisors will maintain an updated list of machines in the construction site to ensure regular maintenance of the same is carried out. Our site supervisors are also responsible to check that the machines are operating in accordance with the relevant method statements and safety measures.

Safety manual

Safety manual is prepared and distributed to all our workers and subcontractors, and shall be updated regularly. Our safety manual sets out specific safety rules in relation to working in confined spaces, work place and housekeeping, protection against falling objects and health and safety in office. Examples are as follows:

- Safety helmet must be worn at all times.
- Safety harness must be used when working at height.
- Alcoholic drinking on construction site and smoking outside the designed smoking area in working hours are prohibited.
- Scaffold working platform must be secured.
- Safety installation must not be interfered with.
- Electrical tools must be connected to earth, except double insulation type.
- Falling objects are strictly prohibited.
- Be careful while at work with operating machine.
- Safety equipment must be used.
- Any unsafe condition to site management must be immediately reported.

Safety training

Each of our construction site workers including workers of our subcontractors has to take the training course for occupational safety and health and obtain a valid occupational safety card for the construction industry issued by the Labour Affairs Bureau before he/she enters the construction site to work.

We also provide training to all new staff and workers (including those of the subcontractors), including the content of (i) safety policy; (ii) safety knowledge and site safety practice; (iii) personal protective equipment; and (iv) action in case of emergency and reporting of unsafe act. Workers will also receive toolbox talks conducted by our site supervisors.

Evaluation and regular inspection

To ensure the abovementioned safety measures will be followed by our workers and the workers of our subcontractors, our site supervisors will carry out regular visits and inspections at our construction sites. In particular, our site supervisors will stop any unsafe act and suspend any dangerous operation, and check to ensure that all plant and equipment are safe and suitable for work. Our site supervisors will ensure the implementation of safety management system, communication with the site supervisors of other contractors at all tiers, development of safety training program to ensure that our workers and the workers of our subcontractors are properly trained in order to follow our safety rules. Our project managers will have regular safety meetings with our site supervisors to evaluate our safety rules and policies, and if necessary, update and revise the same.

INSURANCE

Our Directors confirmed that during the Track Record Period, all our E&M engineering works projects were covered and protected by the employees' compensation insurance and contractors' all risks insurance taken out by the main contractor, for the entire construction project. Such insurance policies covered and protected all employees of main contractors and subcontractors of all tiers working in the relevant construction site, and works performed by them in the relevant construction site.

We maintain public liability insurance to protect our office in Macau. We also maintain employees' compensation insurance for our Directors and employees working in our offices and warehouses.

Our Directors believe that our current insurance policies provide sufficient coverage of the risks to which we may be exposed to and are in line with the industry norm. In FY2016, FY2017, FY2018 and 7M2019, our insurance expenses paid were approximately MOP226,000 MOP269,000, MOP263,000 and MOP294,000, respectively. During the Track Record Period and up to the Latest Practicable Date, we had not made and did not make or had not been the subject of any material insurance claim.

LEGAL PROCEEDINGS AND LEGAL COMPLIANCE

Our Controlling Shareholders have entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities and penalties which may arise as a result of any work injuries (if any), outstanding litigations (including criminal litigations)

(if any), claims, and non-compliances of our Group on or before the date on which the **[REDACTED]** becomes unconditional. Further details of the Deed of Indemnity are set out in the paragraph headed "E. Other information – 1. Tax and other indemnities" in Appendix V to the document.

Legal proceedings

As at the Latest Practicable Date, our Directors confirm that no member of our Group was engaged in any litigation, claim or arbitration of material importance, and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

Legal compliance

Our Directors confirm that we have complied with all applicable laws and regulations in all material respects in Hong Kong and Macau during the Track Record Period and up to the Latest Practicable Date.

INTERNAL CONTROL MEASURES

To assess and identify weakness in our internal control procedures, systems and controls, we have engaged an independent internal control consultant ("**Internal Control Consultant**") to review the adequacy and effectiveness of our internal control procedures, systems and controls. Through an initial review conducted in April 2019, our Internal Control Consultant identified some weakness and deficiencies in our internal control system, such as minutes were not prepared for the senior management meetings, code of conducts and conflict of interest policies were not established and authorisation policy was not established, and recommended certain measures to be implemented. Following this review, we have taken some remedial measures to improve our internal control system.

Internal control measure to improve corporate governance

In order to continuously improve our Group's corporate governance in the future, our Group has adopted or will adopt the following measures recommended by the Internal Control Consultant:

- Our Directors have attended a training session conducted by our legal advisers as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are **[REDACTED]** on the Stock Exchange.

- We have engaged Ample Capital Limited as our compliance adviser commencing on the **[REDACTED]** to advise us on compliance matters under the Listing Rules.

- Our Group has appointed Mr. Chan Chi Hung, as the company secretary, to handle the secretarial matters and day-to-day compliance matters of our Group. He is also responsible for the timing and procedures for convening annual general meetings, including the time for sending notice of meeting and laying the respective financial statements.

- On 22 January 2020, we established the audit committee (which comprises a non-executive Director and two independent non-executive Directors) which will implement formal and transparent 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, including timely preparation and laying of accounts. It will also periodically review our compliance status with the Macau and Hong Kong laws after **[REDACTED]**. The audit committee will exercise its oversight by:

  (i) reviewing our internal control and legal compliance;

  (ii) discussing the internal control systems with the management of our Group to ensure that the management has performed its duty to have an effective internal control system; and

  (iii) considering the major investigation findings on internal control matters as delegated by the Board.

- Our Group will seek professional advice and assistance from independent internal control consultants, external legal advisers and/or other appropriate independent professional advisors with respect to matters related to our internal controls and compliance when necessary and appropriate.

Views of our Directors

Based on the Internal Control Consultant's review and recommendations, our Group has duly adopted the measures and policies in order to improve our internal control systems and to ensure our compliance with the Listing Rules and relevant Macau and Hong Kong laws. Furthermore, after the Internal Control Consultant had performed their follow-up review from 14 May 2019 to 17 May 2019, they did not identify any further issues and made no further recommendations in the respective areas covered in their reviews. Based on the results of the internal control reviews, our Directors are of the view that adequate and effective internal control procedure and policies have been put in place by our Group.

RISK MANAGEMENT

During the ordinary course of conducting our business, we are exposed to various types of risks, including business risks, financial risks, compliance risks and operational and other risks,

the details of which have been disclosed under the section headed "Risk Factors" in the document.

Our Board is ultimately responsible for the risk management of our Group. This is overseen by our executive Directors and senior management members. The objective of the risk management team is to oversee the implementation and monitoring of our internal control and risk management.

The risk management process of our Group will involve, among others, (i) preparing a risk management plan and a business impact analysis to identify and assess risks in order to develop strategies to manage the identified risks; (ii) testing, evaluating and updating the risk management plan on an annual basis for identifying new risks and monitoring the effectiveness of the risk treatment strategies; and (iii) updating the staff handbook, internal control manual and compliance manual when there are changes to business environment or regulatory guidelines.

INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we have registered one trademark in Hong Kong and one trademark in Macau, and have registered one domain name in Hong Kong, which are being used or intended to be used by, and are material to the business of, our Group.

As at the Latest Practicable Date, we have not received any material claim against us for infringement of any trademark nor were we aware of any pending or threatened claims in relation to any such infringement, nor had any material claim been made by us against third parties in relation to the infringement of intellectual property rights owned by us or third parties.

Please refer to the paragraph headed "Statutory and General Information – B. Further information about the business of our Group – 2. Intellectual property of our Group" in Appendix V to the document for further details of the registration of our trademarks and domain names.

OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the **[REDACTED]** and **[REDACTED]** (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]** or any options which may be granted under the Share Option Scheme), our Company will be owned as to 75% by SEM Enterprises, which in turn is held as to 74.08% by Mr. MK Wan, 23.04% by Mr. CW Wun and 2.88% by Mr. Yu. For the purposes of the Listing Rules, SEM Enterprises, Mr. MK Wan, Mr. CW Wun and Mr. Yu will be regarded as a group of our Controlling Shareholders.

DELINEATION OF BUSINESSES

Our Group is an E&M engineering works contractor in Macau with our focus on providing electrical-related E&M engineering works.

Our Controlling Shareholders, either individually or jointly, have interests in other businesses, which include but not limited to (i) investment holding; (ii) trading; (iii) property development; and (iv) building management consultancy. Besides these businesses, our Controlling Shareholders also, either individually or jointly, have interests in businesses of construction and E&M engineering (other than our Group) through REM Group (Holdings), Ready System Engineering, SZ Jianda and SZ Jianda Construction.

REM Group (Holdings) engages in the manufacturing and sales of low-voltage electrical power distribution and control devices. Although REM Group (Holdings) had business in Macau during the Track Record Period, our Directors consider that there is clear delineation between its business and our Group's business because we do not engage in any product design and production process and REM Group (Holdings) does not act as an E&M engineering contractor.

Ready System Engineering is a contractor for mechanical and electrical engineering work and installation work in Hong Kong and provides administrative services for Ready Engineering and its subsidiaries. Immediately prior to the disposal on 14 February 2017, Ready System Engineering was legally held by Ready Engineering and Mr. MK Wan (as trustee for Ready Engineering) as to 4,099,999 shares and one share, respectively. As such, Ready Engineering was the then beneficial owner of the entire issued share capital of Ready System Engineering. On 14 February 2017, Ready Engineering transferred its beneficial interest in 3,895,000 shares and 205,000 shares in Ready System Engineering (representing 95% and 5% of the issued share capital of Ready System Engineering, respectively) to an Independent Third Party, and Mr. MK Wan, respectively, at a consideration of HK$40,300,000 and HK$205,000, respectively. Immediately after the disposal on 14 February 2017, Ready System Engineering was owned by the Independent Third Party and Mr. MK Wan as to 95% and 5%, respectively. After the disposal, Ready Engineering ceased to hold any interest in Ready System Engineering.

Further, both Mr. MK Wan and Mr. CW Wun ceased to be directors of Ready System Engineering upon the disposal of Ready System Engineering on 14 February 2017.

As such, our Controlling Shareholders have ceased to be the directors and substantial shareholders of Ready System Engineering since 14 February 2017. In any event, Ready System Engineering operates and conducts its business in Hong Kong and does not have any business operation in Macau.

SZ Jianda engages in trading of mechanical and electrical machineries and equipment, building materials, metal hardware and related technical development and consultancy services in the PRC. SZ Jianda is owned as to 95% (indirectly) by our Controlling Shareholders and as to 5% by an Independent Third Party. None of our Controlling Shareholders is a director or the legal representative of SZ Jianda. Our Directors consider that there is clear delineation between its business and our Group's business because our principal business is not about trading of materials and equipment and SZ Jianda does not have any business operation in Macau nor does it act as an E&M engineering contractor.

The article of SZ Jianda Construction states that its business scope includes providing building construction, fire fighting facilities, building decoration works, mechanical and electrical equipment installation, engineering contracting, construction, mechanical and electrical technical advisory services in the PRC. SZ Jianda Construction is owned as to 75% (indirectly) by our Controlling Shareholders and as to 25% by two Independent Third Parties.

None of our Controlling Shareholders is a director or the legal representative of SZ Jianda Construction. During the Track Record Period, SZ Jianda Construction principally engaged in building construction as a main contractor in the PRC and did not engage in any E&M engineering subcontracting works. It also did not have any business operation in Macau. Our Directors consider that there is clear delineation between its business and our Group's business because our principal business is not about building construction.

In view of the aforesaid, none of our Controlling Shareholders is interested in any business which competes, either directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Listing Rules. Each of our Controlling Shareholders has entered into the Deed of Non-competition in favour of our Company (for ourselves and as trustee for our subsidiaries) to the effect that each of them will not, and will procure each of their respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with our businesses. For details of the non-competition undertakings given by each of our Controlling Shareholders, please refer to the paragraph headed "Non-competition undertakings from our Controlling Shareholders" in this section.

UNDERTAKINGS BY OUR CONTROLLING SHAREHOLDERS

Each of our Controlling Shareholders has given undertakings in respect of his/its Shares to our Company, the Sponsor, the **[REDACTED]** and the other **[REDACTED]** addition to the requirements of Rule 10.07 of the Listing Rules. For further details, please refer to the paragraph headed "**[REDACTED]** – **[REDACTED]** by our Controlling Shareholders" in the document.

NON-COMPETITION UNDERTAKINGS FROM OUR CONTROLLING SHAREHOLDERS

Our Controlling Shareholders have entered into the Deed of Non-competition in favour of our Company, under which each of our Controlling Shareholders has irrevocably and unconditionally, jointly and severally, undertakes to and covenants with our Company (for ourselves and as trustee for each of our subsidiaries) that:

(a) he/it shall not, and shall procure each of his/its close associates (which for the purpose of the Deed of Non-competition, shall not include any member of our Group) not to, whether on his/ its own account or in conjunction with or on behalf of any person, firm or company, whether directly or indirectly and whether for profit or otherwise, carry on a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest or otherwise involved in (in each case whether as a shareholder, partner, principal, agent or otherwise and whether for profit, reward or otherwise) any business which competes or is likely to compete, whether directly or indirectly, with the Restricted Business;

(b) if he/it or his/its close associates (which for the purpose of the Deed of Non-competition, shall not include any member of our Group) is offered or becomes aware of any project or new business opportunity that relates to the Restricted Business in Hong Kong, Macau and the PRC, whether directly or indirectly, he/it shall give our Company a first right of refusal to participate or engage in such new business opportunity by: (i) promptly within seven business days notify our Company in writing of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such new business opportunity; and (ii) use his/its best endeavours to procure that such new business opportunity is offered to our Company on terms no less favourable than the terms on which such new business opportunity is offered to him/it and/or his/its close associates;

(c) he/it shall provide our Company and our Directors from time to time (including the independent non-executive Directors) with all information necessary for the annual review by our independent non-executive Directors with regard to compliance of the terms of the Deed of Non-competition and the enforcement of the non-competition undertakings therein and shall make an annual declaration on compliance with the undertakings contained therein in the annual reports of our Company;

(d) he/it shall allow our Directors, their respective representatives and the auditors to have sufficient access to his/its records and the records of his/its close associates to ensure their compliance with the terms and conditions of the Deed of Non-competition; and

(e) during the continuance of the Deed of Non-competition:

(i) he/it shall not solicit any existing or then existing employee of our Group for employment by him/it or his/its close associates (excluding any member of our Group); and

(ii) he/it shall not without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to his/its knowledge in his/its capacity as a Controlling Shareholder or Director for any purposes not related to the business of our Group.

The restrictions which each of our Controlling Shareholders has agreed to undertake pursuant to the non-competition undertaking will not apply to the following:

(a) the holding of shares or other securities issued by our Company or any member of our Group from time to time;

(b) the holding of shares or other securities in any company which has an involvement in the Restricted Business, provided that such shares or securities are **[REDACTED]** on the Stock Exchange or any other recognised stock exchange approved by the board of Directors from time to time and the aggregate interest of our Controlling Shareholders and their respective close associates (as "interest" is construed in accordance with the provisions contained in Part XV of the SFO) do not amount to more than 5% of the relevant share capital of the company in question and our Controlling Shareholders and their respective close associates do not otherwise control the majority of the board of directors of that company;

(c) the contracts and other agreements (including any business carried on and service provided pursuant thereto and the transactions contemplated thereunder) entered into between any member of our Group and any Controlling Shareholders and/or his/its respective close associates; and

(d) the involvement or participation of any Controlling Shareholder or his/its close associates in a Restricted Business in Hong Kong, Macau and the PRC or other jurisdiction in which any member of our Group carries on business from time to time in relation to which our Company has agreed in writing to such involvement or participation, following a decision by our independent non-executive Directors to allow such involvement or participation subject to any conditions our independent non-executive Directors may require to be imposed.

The non-competition undertaking will take effect from the date on which dealings in the Shares first commence on Main Board and will cease to have any effect upon the earlier of:

(a) the day on which (i) such Controlling Shareholders and/or their close associates, individually or taken as a whole, cease to own, in aggregate, 30% or more of the then issued Shares directly or indirectly or cease to be deemed as controlling shareholder (as defined under the Listing Rules from time to time) of our Company and does not have power to control the Board or there is at least one other independent Shareholder other than our Controlling Shareholders and their close associates holding more Shares than our Controlling Shareholders and their close associates taken together; and (ii) Mr. MK Wan, Mr. CW Wun and Mr. Yu cease to be our Directors; or

(b) the day on which the Shares cease to be **[REDACTED]** on Main Board or other recognised stock exchange.

CORPORATE GOVERNANCE MEASURES TO SAFEGUARD THE INTEREST OF MINORITY SHAREHOLDERS

To further protect the interests of the minority Shareholders, our Company will adopt the following corporate governance measures to manage any potential conflicts of interest:

(1) the Articles provide that a Director shall absent himself/herself from participating in Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested unless a majority of the independent non-executive Directors expressly requested him/her to attend. The attendance of that Director shall not be counted towards a quorum at the meeting and such Director shall not vote on the relevant resolution;

(2) the independent non-executive Directors will review on a quarterly basis the compliance with the respective non-competition undertaking by the Controlling Shareholders;

(3) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the quarterly review by the independent non-executive Directors and the enforcement of the respective non-competition undertaking;

(4) our Company will disclose decisions with basis on matters reviewed by the independent non-executive Directors relating to compliance and enforcement of the respective non-competition undertaking of the Controlling Shareholders in the annual reports of our Company;

(5) our Controlling Shareholders will make an annual declaration on compliance with their respective non-competition undertaking in the annual reports of our Company;

(6) the independent non-executive Directors will be responsible for deciding whether or not to allow our Controlling Shareholders and/or their respective close associates to be involved or participate in a Restricted Business in Hong Kong or other jurisdiction in which any member of our Group carries on business from time to time, and if so, any condition to be imposed;

(7) the independent non-executive Directors may appoint independent financial adviser and other professional advisers as they consider appropriate to advise them on any matter relating to the non-competition undertakings or connected transaction(s) at the cost of our Company; and

(8) our Company has appointed Ample Capital Limited as our compliance adviser which shall provide our Company with professional advice and guidance in respect of compliance with the Listing Rules and applicable laws including various requirements relating to directors' duties and corporate governance.

Further, any transaction that is proposed between our Group and our Controlling Shareholders and their respective associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied that our Group can function, operate and carry on our business independently from our Controlling Shareholders based on the following reasons:

No competition and clear delineation of business

Our Directors, including our independent non-executive Directors, are of the view that to the best of their knowledge, belief and information, none of our Controlling Shareholders, our Directors and none of their respective close associates have interests in businesses which compete, or are likely to compete, either directly or indirectly, with our business.

Management independence

Although our Controlling Shareholders will retain controlling interests in our Company upon completion of the **[REDACTED]** and **[REDACTED]**, the day-to-day management and operation of the business of our Group will be the responsibility of all our executive Directors and senior management of our Company. Our Board has eight Directors comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. Our Board and senior management operate as a matter of fact independently of our Controlling Shareholders and they are in a position to fully discharge their duties to the Shareholders as a whole after the **[REDACTED]** without reference to our Controlling Shareholders.

Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit of and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interests. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) will abstain from voting at the relevant board meetings of our Company in respect of such transactions and will not be counted in the quorum. In addition, our Company has an independent senior management team to carry out the business decisions of our Group independently.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Company is capable of managing our Group's business independently from our Controlling Shareholders.

Operational independence

Our Group has established our own organisational structure made up of individual departments, each with specific areas of responsibilities. We have sufficient operational resources, such as office premises, project execution and general administration resources to operate our business independently. We also have independent access to our suppliers and customers. Our Group has also established independent accounting and financial reporting systems and a set of internal control procedures to facilitate the effective operations of our business.

Although our Group purchased electrical equipment, materials and parts from Ready Electrical Metal and Shun Tat M&E Equipment during the Track Record Period, these transactions are entered into in the ordinary and usual course of business of our Group and have been based on arm's length negotiations and on normal terms which are fair and reasonable and in the interest of our Group and our Shareholders as a whole, and our Directors confirm that such connected transactions will not continue after the **[REDACTED]**, our Group currently does not have any intention to enter into transactions with our Controlling Shareholders and their close associates and, if such event happens in future, the connected transactions/continuing connected transactions will be conducted in compliance with the Listing Rules.

Financial independence

We have our own accounting and finance department and independent financial system and make financial decisions according to our own business needs. We also have independent access to third party financing.

In view of our Group's internal resources and the estimated **[REDACTED]** from the **[REDACTED]**, our Directors believe that our Group will have sufficient capital for our financial needs without dependence on our Controlling Shareholders. Our Directors further

believe that, upon the **[REDACTED]**, our Group is capable of obtaining financing from external sources independently without the support of our Controlling Shareholders. Therefore, our Group will be financially independent from our Controlling Shareholders and/or any of their respective associates.

BOARD OF DIRECTORS

Our Board consists of eight Directors, including three executive Directors, two non-executive Directors and three independent non-executive Directors. The table below sets forth information regarding our Board:

Name	Age	Position	Responsibilities in our Group	Date of joining our Group	Date of appointment as Director	Relationship with other Directors, members of our senior management and substantial shareholders
Mr. Woo Chu Fai (胡柱輝)	49	Executive Director and chief executive officer	Overseeing our projects management, execution of daily management and operation, and regulatory compliance	Around April 2007	29 March 2016	N/A
Mr. Wun Chi Wai (尹志偉)	50	Executive Director	Providing strategic advice to our Group's business development	6 November 2015	6 November 2015	Younger brother of Mr. MK Wan and cousin of Mrs. Kan
Mr. Yu Chi Kwan (俞志軍)	50	Executive Director	Overseeing our projects management, execution of daily management and operation	Around April 2013	1 August 2018	N/A
Mr. Wan Man Keung (尹民強)	58	Non-executive Director, Chairman and member of the nomination committee	Overall strategic planning and management of our Group's business development	15 May 2006	6 November 2015	Elder brother of Mr. CW Wun and cousin of Mrs. Kan
Mrs. Kan Wan Wai Yee Mavis (簡尹慧兒)	62	Non-executive Director and member of the audit committee and remuneration committee	Providing strategic advice to our Group's internal control and corporate governance	29 March 2016	29 March 2016	Cousin of Mr. MK Wan and Mr. CW Wun

Name	Age	Position	Responsibilities in our Group	Date of joining our Group	Date of appointment as Director	Relationship with other Directors, members of our senior management and substantial shareholders
Mr. Lau Ping Cheung Kaizer (劉炳章)	68	Independent non-executive Director, Chairman of the nomination committee and member of the remuneration committee	Providing independent judgement to bear on issues of strategy, policy, performance, accountability, resources and standard of conduct	22 January 2020	22 January 2020	N/A
Dr. Sham Chung Ping Alain, *BBS* (沈仲平)	65	Independent non-executive Director, Chairman of the remuneration committee and member of the audit committee	Providing independent judgement to bear on issues of strategy, policy, performance, accountability, resources and standard of conduct	22 January 2020	22 January 2020	N/A
Mr. May Tai Keung Nicholas (梅大強)	58	Independent non-executive Director, Chairman of the audit committee and member of the nomination committee	Providing independent judgement to bear on issues of strategy, policy, performance, accountability, resources and standard of conduct	22 January 2020	22 January 2020	N/A

Executive Directors

Mr. Woo Chu Fai (胡柱輝), aged 49, is our executive Director, chief executive officer and senior project manager. He was appointed as our executive Director on 29 March 2016 and our chief executive officer on 1 August 2018. He is a director of SEM Resources. He is currently responsible for overseeing our projects management, execution of daily management and operation, and regulatory compliance.

Mr. Woo has more than 24 years of experience in the E&M engineering industry. He joined Ready System Engineering on 22 February 1995 as an engineer. Mr. Woo started to work for our Group in around April 2007 and has served as our senior project manager since 1 March 2016. He was awarded higher diploma in management of building services engineering from Vocational Training Council in Hong Kong in July 2003. He obtained a bachelor degree of engineering in building services engineering from the University of Central Lancashire, through distance learning, in December 2007. He currently holds the certificate of registration of electrical worker issued by the Electrical and Mechanical Services Department in Hong Kong and is a Grade C electrical worker.

He was a director of the following company incorporated in Hong Kong, which was dissolved, with details as follows:

Name of company	Place of incorporation	Date of dissolution	Nature of proceeding *(Note 1)*
Markful Engineering Limited 萬方工程有限公司	Hong Kong	25 November 2016	Deregistration

Note 1: Under section 750 of the Companies Ordinance, an application for deregistration can only be made if: (a) all members of the company agree to such deregistration; (b) the company has not commenced operation or business, or has not been in operation or carried on business during the three months immediately before the application; (c) such company has no outstanding liabilities; (d) such company is not a party to any legal proceedings; (e) such company's asset do not consist of any immovable property situated in Hong Kong; and (f) if such company is a holding company, none of its subsidiary's assets consist of any immovable property situated in Hong Kong.

Mr. Woo confirmed that there have been no claims against him in relation to the abovementioned company that has been deregistered or struck off, and the abovementioned company was solvent and had no outstanding liabilities before or at the time of being deregistered, and that the abovementioned company has not been involved in any material non-compliant incidents, claims, litigation or legal proceedings.

In July 2018, Mr. Woo received a reprimand from the Director of Electrical and Mechanical Services under section 36(1)(b)(i) of the Electricity Ordinance (Chapter 406 of the Laws of Hong Kong), being a registered electrical worker responsible for the electrical work in a parking lot in Hong Kong in July 2016, for his failure to install equipotential bonding for a cable junction box due to his inadvertent oversight and hence failed to ensure that a fixed electrical

installation was designed, constructed, installed and protected so as to prevent danger, pursuant to regulation 4(2) of the Electricity (Wiring) Regulation (Chapter 406E of the Laws of Hong Kong). Mr. Woo confirmed that (i) there has not been any fine imposed by the relevant authority; and (ii) his licence of registered electrical worker (Grade C) has not been revoked nor subject to any special condition, and is still valid up to the Latest Practicable Date.

Views of our Directors and the Sponsor

In respect of the aforesaid incident of Mr. Woo, it is noted that:

– the aforesaid incident of Mr. Woo is an isolated incident and there has been no occurrence of any similar incident of Mr. Woo during the Track Record Period and up to the Latest Practicable Date;

– there has not been any fine imposed by the relevant authority on Mr. Woo. Nevertheless, even if a fine had been imposed against Mr. Woo under section 36(1)(b)(ii) of the Electricity Ordinance (Chapter 406 of the Laws of Hong Kong), the fine for a worker was up to HK$1,000;

– Mr. Woo's licence of registered electrical worker (Grade C) has not been revoked nor subject to any special condition, and is still valid up to the Latest Practicable Date. In particular, upon the expiry of Mr. Woo's then relevant licence in May 2017 (i.e. after the aforesaid incident in July 2016), it was renewed by the relevant authority for another three years up to May 2020; and

– there was no indication of dishonesty or willful act committed on the part of Mr. Woo in relation to the aforesaid incident.

Based on the above, our Directors, as concurred by the Sponsor, consider that the abovementioned incident is immaterial and would not affect the suitability of Mr. Woo to be our executive Director under Rules 3.08 and 3.09 of the Listing Rules or the suitability of **[REDACTED]** of our Company under Rule 8.04 of the Listing Rules.

Mr. Wun Chi Wai (尹志偉), aged 50, joined Ready System Engineering as a contracts manager on 1 May 1993. Mr. CW Wun joined our Group as a shareholder of Ready Engineering upon the incorporation of Ready System (Macau) on 15 May 2006. He is one of our Controlling Shareholders and our executive Director. He is also a director of each of the members of our Group except for Ready System (Macau). He was appointed as our Director on 6 November 2015 and was re-designated as our non-executive Director on 29 March 2016. On 1 August 2018, he was re-designated as our executive Director. He is currently responsible for providing strategic advice to our Group's business development.

Mr. CW Wun was awarded the higher certificate in building studies by Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in November 1991. He obtained a master degree of business administration from Asia International Open University

(Macau) (currently known as City University of Macau) in January 1999. He is the younger brother of Mr. MK Wan and the cousin of Mrs. Kan. He has more than 25 years of experience in the E&M engineering industry.

He was a director of each of the following companies incorporated in Hong Kong, which were dissolved, with details as follows:

Name of company	**Place of incorporation**	**Date of dissolution**	**Nature of proceeding** *(Notes 1 & 2)*
Ready (China) Limited 全達(中國)有限公司	Hong Kong	17 September 2004	Deregistration
Ready China Development Limited 全達中國發展有限公司	Hong Kong	9 January 2009	Deregistration
Ready Building Services Engineering Limited 全達屋宇設備工程有限公司	Hong Kong	14 January 2011	Deregistration
Caring Centre Foundation Limited 群心會護幼扶青基金有限公司	Hong Kong	31 May 2013	Striking off

Notes:

1. Under 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all member of such company agree to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

2. Under section 291 of the Predecessor Companies Ordinance, the Registrar of Companies may strike off the name of a company from the register of companies where the Registrar of Companies has reasonable cause to believe that a company is not carrying on business or in operations.

Mr. CW Wun confirmed that there have been no claims against him in relation to the abovementioned companies that have been deregistered or struck off, and each of the abovementioned companies was solvent and had no outstanding liabilities before or at the time of being deregistered, and that the abovementioned companies have not been involved in any material non-compliant incidents, claims, litigation or legal proceedings.

Mr. CW Wun was a legal representative of each of the following branches in the PRC which were cancelled, with details as follows:

Name	Place of establishment	Date of cancellation	Nature of proceeding	Nature of business before cancellation
深圳市建達建築工程有限公司廣州分公司 Shenzhen Jianda Construction Company Limited (Guangzhou Branch)*	PRC	19 December 2018	Cancellation	Providing business services
深圳市建達建築工程有限公司東莞分公司 Shenzhen Jianda Construction Company Limited (Dongguan Branch)*	PRC	17 December 2018	Cancellation	Architectural decoration and other construction works

* *For identification purpose only*

Mr. CW Wun confirmed that (i) for each of the above branches, the cancellation was made voluntarily by way of submitting an application to the relevant authority in the PRC because the branches had ceased to carry on business or operation; (ii) there have been no claims against him in relation to the abovementioned branches that have been cancelled; (iii) the abovementioned branches were solvent and had no outstanding liability before or at the time of being cancelled; and (iv) the abovementioned branches have not been involved in any material non-compliant incidents, claims, litigation or legal proceedings.

Mr. Yu Chi Kwan (俞志軍), aged 50**,** joined Ready System Engineering on 1 April 1994 as an engineer. Mr. Yu joined our Group as a shareholder of Ready Engineering on 28 December 2010 and started to work for our Group in around April 2013. He was appointed as our senior project manager on 16 April 2016 and our executive Director on 1 August 2018 and is one of our Controlling Shareholders. Mr. Yu is currently responsible for overseeing our projects management, execution of daily management and operation.

Mr. Yu completed a three-year part-time evening technician programme at Morrison Hill Technical Institute (currently known as the Hong Kong Institute of Vocational Education (Morrison Hill)) in Hong Kong and was awarded a certificate in electrical engineering in September 1992. Mr. Yu has more than 25 years in the E&M engineering industry. He currently holds the certificate of registration of electrical worker issued by the Electrical and Mechanical Services Department in Hong Kong and is a Grade B electrical worker.

Non-executive Directors

Mr. Wan Man Keung (尹民強), aged 58, founded our Group (through Ready Engineering) on 15 May 2006. He is one of our Controlling Shareholders, our Chairman and non-executive Director, and member of our nomination committee. He was appointed as our Director on 6 November 2015 and was re-designated as our executive Director on 29 March 2016. On 1 August 2018, he was re-designated as non-executive Director. He is also a director/administrator of each of the members of our Group. He is currently responsible for the overall strategic planning and management of our Group's business development.

Mr. MK Wan currently holds the certificate of registration of electrical worker issued by the Electrical and Mechanical Services Department in Hong Kong and is a Grade B electrical worker. He has more than 27 years of experience in the E&M engineering industry. Prior to founding our Group, Mr. MK Wan, together with other business partners, through Ready Engineering, established, among others, Ready System Engineering providing various E&M engineering services in Hong Kong and the PRC. For details, please refer to the section headed "Relationship with our Controlling Shareholders" in the document. Mr. MK Wan is currently an executive director of REM Group (Holdings) Limited (stock code: 1750), the issued shares of which are listed on the Stock Exchange.

Mr. MK Wan completed form three education in 1978. He was awarded a craft certificate in electrical fittings and installations by the Morrison Hill Technical Institute (currently known as the Hong Kong Institute of Vocational Education (Morrison Hill)) in Hong Kong in July 1981. He is the elder brother of Mr. CW Wun and a cousin of Mrs. Kan.

He was a director of each of the following companies incorporated in Hong Kong, which were dissolved, with details as follows:

Name of company	**Place of incorporation**	**Date of dissolution**	**Nature of proceeding** *(Notes 1 & 2)*
Yearwick Engineering Limited 益力工程有限公司	Hong Kong	16 May 2003	Striking off
Universal Fortune Enterprise Limited 奧斯企業有限公司	Hong Kong	16 April 2004	Deregistration
Ready (China) Limited 全達(中國)有限公司	Hong Kong	17 September 2004	Deregistration
Citiwell Engineering Limited 成威工程有限公司	Hong Kong	29 June 2007	Striking off

Name of company	Place of incorporation	Date of dissolution	Nature of proceeding *(Notes 1 & 2)*
Ready China Development Limited 全達中國發展有限公司	Hong Kong	9 January 2009	Deregistration
China Head Development Limited 華尊發展有限公司	Hong Kong	14 January 2011	Deregistration
Ready Building Services Engineering Limited 全達屋宇設備工程有限公司	Hong Kong	14 January 2011	Deregistration

Notes:

1. Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all member of such company agree to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

2. Under section 291 of the Predecessor Companies Ordinance, the Registrar of Companies may strike off the name of a company from the register of companies where the Registrar of Companies has reasonable cause to believe that a company is not carrying on business or in operations.

Mr. MK Wan confirmed that (i) there have been no claims against him in relation to the abovementioned companies that have been deregistered or struck off; (ii) each of the abovementioned companies was solvent and had no outstanding liabilities before or at the time of being deregistered or struck off; and (iii) the abovementioned companies have not been involved in any material non-compliant incidents, claims, litigation or legal proceedings.

Mr. MK Wan was a legal representative of the following branch in the PRC, which was cancelled, with details as follows:

Name	Place of establishment	Date of cancellation	Nature of proceeding	Nature of business before cancellation
深圳市建達建築工程有限公司珠海分公司 Shenzhen Jianda Construction Company Limited (Zhuhai Branch)*	PRC	18 February 2009	Cancellation	Providing building construction, fire-fighting facilities, building decorations works, mechanical and electrical equipment installation, engineering contracting, construction, mechanical and electrical technical advisory services

* *For identification purpose only*

Mr. MK Wan confirmed that (i) the cancellation was made voluntarily by way of submitting an application to the relevant authority in the PRC because the branch had ceased to carry on business or operation; (ii) there have been no claims against him in relation to the abovementioned branch that has been cancelled; (iii) the abovementioned branch was solvent and had no outstanding liability before or at the time of being cancelled; and, (iv) the abovementioned branch has not been involved in any material non-compliant incidents, claims, litigation or legal proceedings.

Directorship in Tianjin Hua Yuan

Background and non-compliance of Tianjin Hua Yuan

Tianjin Hua Yuan Mechanical and Electrical Equipment Installation Limited* (天津華源機電設備安裝有限公司) ("**Tianjin Hua Yuan**") was established in the PRC as a sino-foreign equity joint ventures (中外合資經營企業) on 28 June 1995. It was owned by two joint venture partners as to 30% from the PRC side and as to 70% from Hong Kong side. Mr. MK Wan was the legal representative and the chairman of the board of Tianjin Hua Yuan. Due to its failure to carry out annual inspection (年檢), on 16 September 2004, the business licence (企業法人營業執照) of Tianjin Hua Yuan was revoked by Administration for Industry and Commerce of Tianjin City (天津市工商行政管理局) as administrative penalty.

To the best knowledge of Mr. MK Wan, Tianjin Hua Yuan had no longer carried out active business immediately before 2004. Since the joint venture partner of the PRC side was relatively more familiar with the administrative and filing requirements under the PRC laws as compared with the joint venture partner of Hong Kong side, it was more convenient for the joint venture partner of the PRC side to handle the regulatory filing of Tianjin Hua Yuan. When the time for Tianjin Hua Yuan to carry out annual inspection came, Mr. MK Wan did not have in his possession the documents and records required for carrying out the annual inspection, and he also lacked timely and professional advice on this aspect of the PRC laws. As a result. Tianjin Hua Yuan did not carry out annual inspection.

As advised by our PRC Legal Advisers, under the PRC Company Law (公司法) and Registration Management Regulations on Legal Representative of Enterprise Entity (企業法人法定代表人登記管理規定), for any person (i) being the legal representative of a PRC company of which the business licence has been revoked due to violation of laws or regulations, and (ii) bearing personal responsibility for such violation of laws or regulations, he/she is prohibited from acting as legal representative, director, supervisor or member of senior management in other PRC companies within three years upon the revocation of business licence. Therefore, Mr. MK Wan was prohibited from acting as legal representative, director, supervisor or member of senior management in other PRC companies for the period from 16 September 2004 to 15 September 2007.

As advised by our PRC Legal Advisers, the aforesaid prohibition on Mr. MK Wan to act as the legal representative, director or member of senior management of the PRC companies was no longer in force as at the Latest Practicable Date. Therefore, our PRC Legal Advisers are of the

view that there is no evidence suggesting Mr. MK Wan is not capable of acting as director, legal representative or member of the senior management in the PRC companies.

Mrs. Kan Wan Wai Yee Mavis (簡尹慧兒), aged 62, is our non-executive Director and member of our audit committee and remuneration committee. She was appointed as our non-executive Director on 29 March 2016. She is currently responsible for providing strategic advice to our Group's internal control and corporate governance. Mrs. Kan is currently a certified public accountant (practising) of the Hong Kong Institute of Certified Public Accountants, a certified tax adviser of The Taxation Institute of Hong Kong and a fellow of the Association of Chartered Certified Accountants.

Between June 1977 and December 1980, Mrs. Kan worked for The Hongkong and Shanghai Banking Corporation (currently known as The Hongkong and Shanghai Banking Corporation Limited). She was employed by John B.P. Byrne & Co. between December 1980 and April 1985 with her last position as tax senior. She was a founding partner of a local firm of certified public accountants from April 1997 to October 2010. She later founded KAN-WAN Certified Tax Advisors, a tax consultancy firm, in December 2010 and BOYA CPA & Co., a certified public accountant (practising) firm, in October 2012.

Mrs. Kan is currently a non-executive director of REM Group (Holdings) Limited (stock code: 1750), the issue shares of which are listed on the Stock Exchange. She completed the programme of diploma in management studies organised jointly by the Hong Kong Management Association and Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in June 1988. Mrs. Kan is a cousin of Mr. MK Wan and Mr. CW Wun.

Mrs. Kan was a legal representative of the following representative office in the PRC, which was cancelled, with details as follows:

Name	Place of establishment	Nature of proceeding	Nature of business before cancellation
基高程序控制(中國)有限公司武漢代表處 Jigao Process Control (China) Limited (Wuhan Representative Office)*	PRC	Cancellation	Control valve business

* *For identification purpose only*

Mrs. Kan confirmed that (i) the cancellation was made voluntarily by way of submitting an application to the relevant authority in the PRC because the representative office had ceased to carry on business or operation; (ii) there have been no claims against her in relation to the abovementioned representative office that has been cancelled; (iii) the abovementioned representative office was solvent and had no outstanding liability before or at the time of being

cancelled; and, (iv) the abovementioned company has not been involved in any material non-compliant incidents, claims, litigation or legal proceedings.

Independent non-executive Directors

Mr. Lau Ping Cheung Kaizer (劉炳章), aged 68, is our independent non-executive Director and chairman of nomination committee and member of our remuneration committee. He was appointed as the independent non-executive Director on 22 January 2020. He is currently responsible for providing independent judgement to bear on issues of strategy, policy, performance, accountability, resources and standard of conduct. He is also a fellow of The Hong Kong Institute of Surveyors and was the president from 1996 to 1997.

Mr. Lau has substantial experience and involvements in construction, real estate and infrastructure projects. Mr. Lau was a member of the Legislative Council of Hong Kong from 2000 to 2004. He was a former chairman of the Royal Institution of Chartered Surveyors (HK Branch). He was a non-executive director of the Urban Renewal Authority, a member of the council of the City University of Hong Kong and a committee member of the Chinese People's Political Consultative Conference of Shanghai. Mr. Lau is currently the managing director of Biel Asset Management Company Limited. Mr. Lau is also an independent non-executive director of Kingboard Laminates Holdings Limited (stock code: 1888) since August 2015 and was an independent non-executive director of MTR Corporation Limited (stock code: 66) from August 2015 to May 2019, both of which are listed on the Stock Exchange.

Mr. Lau was awarded a higher diploma in quantity surveying from the Hong Kong Polytechnic (currently known as The Hong Kong Polytechnic University) in 1974 and a master degree in construction project management from The University of Hong Kong.

Mr. Lau is one of the founders and currently the chairman of Hong Kong Coalition of Professional Services. Mr. Lau is also a member of the National Committee of the Chinese People's Political Consultative Conference, the Basic Law Promotion Steering Committee, and the council of The Hong Kong Polytechnic University.

Mr. Lau was a director of each of the following companies incorporated in Hong Kong, which were dissolved, with details as follows:

Name of company	Place of incorporation	Date of dissolution	Nature of proceeding
Asiawise Development Limited 志穎發展有限公司	Hong Kong	3 October 2008	Deregistration *(Note 1)*
High Achieve Limited 鴻登有限公司	Hong Kong	16 November 2001	Striking off *(Note 2)*

Name of company	Place of incorporation	Date of dissolution	Nature of proceeding
Hong Kong Professionals Advancement Association Limited 香港專業促進會有限公司	Hong Kong	9 February 2018	Striking off *(Note 3)*
Whale Benefit Investment Limited 均潤投資有限公司	Hong Kong	20 July 2001	Striking off *(Note 2)*

Notes:

1. Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all member of such company agree to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

2. Under section 291 of the Predecessor Companies Ordinance, the Registrar of Companies may strike off the name of a company from the register of companies where the Registrar of Companies has reasonable cause to believe that a company is not carrying on business or in operations.

3. Under section 746 of the Companies Ordinance, the Registrar of Companies may strike off the name of a company from the register of companies where the Registrar of Companies has reasonable cause to believe that a company is not carrying on business or in operations.

Mr. Lau confirmed that there have been no claims against him in relation to the abovementioned companies that have been deregistered or struck off, and the each of the abovementioned companies was solvent and had no outstanding liabilities before or at the time of being deregistered or struck off, and that the abovementioned companies have not been involved in any material non-compliant incidents claims, litigation, or legal proceedings.

Dr. Sham Chung Ping Alain, *BBS* (沈仲平), aged 65, is our independent non-executive Director and chairman of our remuneration committee and member of our audit committee. He was appointed as our independent non-executive Director on 22 January 2020. He is currently responsible for providing independent judgement to bear on issues of strategy, policy, performance, accountability, resources and standard of conduct. Dr. Sham is currently a practicing barrister in Hong Kong. He has been admitted as a barrister of High Court of Hong Kong in 1986, a barrister of High Court of Australia in 1991, and a barrister and solicitor of the Supreme Court of the Australian Capital Territory (ACT) in 1991. He was awarded the Bronze Bauhinia Star by the government of Hong Kong in 2016. He has been elected as a fellow of Society for Advanced Legal Studies (SALS), England in October 2002.

Between May 1978 and March 2016, Dr. Sham worked for the government of Hong Kong, including the Department of Justice, with his last position as deputy director of public prosecutions. He has been an honorary advisor of the Staff Training Institute of Correctional Services Department since 2018.

Dr. Sham was awarded a bachelor degree of social science from The Hong Kong University in November 1978, a bachelor degree of laws from The University of Buckingham in February 1984, a postgraduate diploma in law and practice from The City University London in October 1985, a master degree of laws in Chinese law from The University of Hong Kong in December 2004 and a doctorate degree of laws* (法學博士) from China University of Political Science and Law in June 2005.

Mr. May Tai Keung Nicholas (梅大强), aged 58, is our independent non-executive Director and chairman of our audit committee and member of our nomination committee. He was appointed as the independent non-executive Director on 22 January 2020. He is currently responsible for providing independent judgement to bear on issues of strategy, policy, performance, accountability, resources and standard of conduct.

Mr. May has gained experience of accounting, finance and general management since 1987. From September 1987 to October 1990, he worked with Deloitte Ross Tohmatsu (currently known as Deloitte Touche Tohmatsu), with his last position held as senior accountant in the audit department. From October 2002 to October 2003, he worked for Kinetana International Biotech Pharma Limited, a company previously listed on the GEM of the Stock Exchange (former stock code: 8031) and delisted from the Stock Exchange in September 2006, as the financial controller and company secretary. From March 2004 to July 2005, he worked for Zhongda International Holdings Limited, a company previously listed on the Main Board of the Stock Exchange (former stock code: 909) and delisted from the Stock Exchange in March 2019, as the group financial controller and company secretary. From August 2005 to October 2006, he worked for Matsunichi Communication Holdings Limited (later known as Goldin Properties Holdings Limited), a company previously listed on the Main Board of the Stock Exchange (former stock code: 283) and delisted from the Stock Exchange in August 2017, as the chief financial officer and company secretary and his last position as deputy general manager. From April 2007 to October 2009, he worked for Hopewell Holdings Limited, a company previously listed on the Main Board of the Stock Exchange (former stock code: 54) and delisted from the Stock Exchange in May 2019, as the group financial controller. From May 2008 to October 2009, he also worked for Hopewell Highway Infrastructure Limited (currently known as Shenzhen Investment Holdings Bay Area Development Company Limited), a company listed on the Main Board of the Stock Exchange (stock code: 737), as an alternate director. From March 2010 to March 2013, he worked for China Resources Property Limited as the chief financial officer and internal audit director. Since July 2013, he has been appointed as the director of Nichova Consultants Limited. From April 2015 to January 2018, Mr. May worked for China Information Technology Development Limited, a company listed on the GEM of the Stock Exchange (stock code: 8178), as an independent non-executive director. In addition, since August 2019, Mr. May has been working for S&T Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3928), as an independent non-executive director.

Mr. May obtained a degree of bachelor of economics from Macquarie University in Australia in April 1986 and a degree of master of commerce in finance from the University of New South Wales in Australia in June 1995. He has been an associate of the Hong Kong Society

of Accountants (currently known as The Hong Kong Institute of Certified Public Accountants) since June 1990.

Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors confirmed with respect to himself or herself that: (i) he or she is independent from and had no other relationships with any Directors, members of our senior management, substantial shareholders or Controlling Shareholders as at the Latest Practicable Date; (ii) apart from our Company, he or she has not held directorships in the last three years prior to the Latest Practicable Date in any other public company the securities of which are listed on any securities market in Hong Kong and/or overseas; (iii) he or she did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (iv) he or she does not have any interests in our Shares within the meaning of Part XV of the SFO, save as disclosed in the paragraph headed "C. Disclosure of interests" in Appendix V to the document; (v) he or she does not have any interests in any business which competes or may compete, directly or indirectly, with us, which is discloseable under the Listing Rules; and (vi) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there is no additional information relating to our Directors or senior management that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and no other matters with respect to their appointments that need to be brought to the attention of our Shareholders as at the Latest Practicable Date.

BOARD DIVERSITY POLICY

Our Board comprises eight members, including three executive Directors, two non-executive Directors and three independent non-executive Directors, in particular, one of our non-executive Director is a female. Our Company adopted a board diversity policy setting out the approach to achieve diversity on the Board. The nomination committee reviews and assesses the Board composition on behalf of the Board and recommends the appointment of new Directors, taking into account a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, industry and regional experience, and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The nomination committee will disclose the composition of the Board annually in the corporate governance report and monitor the implementation of the board diversity policy. The nomination committee will review the board diversity policy and assess its effectiveness, and where necessary, make any revisions that may be required and recommend any such revisions to the Board for consideration and approval.

The Board has a balanced mix of experiences and industry background, including experiences in electrical and mechanical industry, manufacturing, accounting and auditing and financial markets. Our independent non-executive Directors have a diverse education background including surveying, legal, economics and accountancy, as well as different industry backgrounds and professional qualifications. Taking into account our Company's business model and the backgrounds and abilities of our Directors, the composition of the Board satisfies the

board diversity policy. Our Company will continue to take steps to promote gender diversity at all levels of our Group, including at the senior management levels. Nevertheless, our Company will continue to apply the principle of appointments based on merits with reference to the board diversity policy as a whole.

SENIOR MANAGEMENT

The table below sets forth information regarding our senior management:

Name	Age	Position	Responsibilities in our Group	Date of joining our Group	Date of appointment to the current position	Relationship with other Directors, members of our senior management and substantial shareholders
Mr. Chan Chi Hung (陳志洪)	34	Financial controller and company secretary	Overseeing and managing the financial operation, compliance, corporate governance and company secretarial matters of our Group	18 December 2017	3 July 2017 (financial controller) 18 December 2017 (company secretary)	N/A
Mr. Wong Man Wai Thomas (黃文偉)	51	Assistant project manager	Overseeing our projects management and execution of daily management and operation	Around April 2008	19 March 2016	N/A
Mr. Yip Chi Fai (葉志輝)	39	Accounting manager	Assisting the management of financial operation, compliance, corporate governance and company secretarial matters of our Group	1 January 2014	1 January 2014	N/A

Mr. Chan Chi Hung (陳志洪), aged 34, is our financial controller and company secretary. He is responsible for managing the financial operation and overseeing the company secretarial and compliance affairs of our Group. He has more than 10 years of experience in accounting. He is currently a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

Prior to joining our Group, Mr. Chan worked for Deloitte Touche Tohmatsu from September 2008 to April 2015 with his last position as manager. From June 2015 to March 2017, he was employed by Kai Yuan Holdings Limited as a senior accounting manager (stock code: 1215), the issued shares of which are listed on the Stock Exchange. He joined our Group in July 2017 and was appointed as our financial controller and company secretary on 3 July 2017 and 18 December 2017, respectively.

Mr. Chan obtained a bachelor degree of business administration with a major in accountancy and a minor in finance from The Hong Kong Polytechnic University in October 2008.

Mr. Wong Man Wai Thomas (黃文偉), aged 51, is our assistant project manager. He was employed by China Head Development Limited from January 1997 to November 2000 with his last position as a supervisor. He joined Ready System Engineering on 1 December 2000 as an engineer. Mr. Wong started to work for our Group in around April 2008 and has served as our assistant project manager since 1 March 2016. He has more than 21 years of experience in the E&M engineering industry. He was appointed as our executive Director on 29 March 2016 and resigned as our executive Director on 1 August 2018. He was also appointed as an administrator of Ready System (Macau) on 20 June 2011. Mr. Wong completed Form Five education in June 1984 in Hong Kong. He is currently responsible for assisting our senior project manager in our projects management and execution of daily management and operation.

Mr. Yip Chi Fai (葉志輝), aged 39, is our accounting manager. He joined Ready System Engineering on 2 May 2008 as an accountant and started to work for our Group on 1 January 2014. He was appointed as our financial controller and company secretary on 15 March 2016 and 29 March 2016 respectively and he resigned as our controller and company secretary on 18 December 2017. He is currently responsible for assisting the management of the financial operation, corporate governance and company secretarial matters of our Group.

Mr. Yip was awarded one-year advanced certificate in accountancy by Hong Kong Christian Service Kwun Tong Vocational Training Centre in July 2000 and has become a certified public accountant of the Hong Kong Institute of Certified Public Accountants since January 2013. He has more than 18 years of experience in accounting. He worked for Lixin C.P.A. Limited between August 2000 and March 2004 as audit assistant, and Info Smart International Enterprises Limited between March 2004 and March 2006 as assistant accountant. Before joining Ready System Engineering, he served Qualiman Industrial Co. Limited as assistant accounting manager between April 2006 and March 2008.

Each of the members of our senior management confirmed with respect to himself that: (i) as at the Latest Practicable Date, he had no interests in our Shares within the meaning of Part XV of the SFO; (ii) he did not have any relationships with any Directors, members of our senior management, substantial shareholders or Controlling Shareholders as at the Latest Practicable Date; and (iii) he did not hold any directorships in any other public company the securities of which were listed on any securities market in Hong Kong and/or overseas in the last three years prior to the Latest Practicable Date.

COMPANY SECRETARY

Mr. Chan Chi Hung (陳志洪), aged 34, is our company secretary. Details of his qualifications and experience are set out in the paragraph headed "Directors, Senior Management and Staff – Senior Management" in the document.

AUTHORISED REPRESENTATIVES

Mr. Woo Chu Fai (胡柱輝) and Mr. Chan Chi Hung (陳志洪) are our authorised representatives under Rule 3.05 of the Listing Rules.

COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, our Company has appointed Ample Capital Limited to be our compliance adviser. We have entered into a compliance adviser's agreement with the compliance adviser prior to the **[REDACTED]**, the material terms of which are as follows:

- the terms of the appointment of the compliance adviser will commence on the **[REDACTED]** and the end of the date on which our Company complies with Rule 13.46 of the Listing Rules in the respect of our financial results for the first full financial year commencing after the **[REDACTED]** (i.e. the date of dispatch the annual reports of our Company in respect of our results for the financial year ending 31 December 2021), or until the agreement is terminated, whichever is earlier;

- the compliance adviser will provide us with certain service, including the guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines and advise on the continuing requirements under the Listing Rules and applicable laws and regulations;

- our Company will consult with and, if necessary, seek advice from Ample Capital Limited as our compliance adviser in the following circumstances:

  (1) before the publication of any regulatory announcement, circular of financial report;

  (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

  (3) where our Company intends to use the **[REDACTED]** of the **[REDACTED]** in a manner different from that detailed in the document or where our business activities, developments or results of operations deviate from any information in the document; and

(4) where the Stock Exchange makes any enquiry to our Company under Rule 13.10 of the Listing Rules.

BOARD PRACTICES

In the absence of extraordinary events, it is the practice of our Board to meet at least four times a year. At such meetings, our Directors conduct, among other things, an operational review of our business.

BOARD COMMITTEES

Audit Committee

Our Company established an audit committee on 22 January 2020 pursuant to a resolutions of our Directors passed on 22 January 2020 in compliance with Rule 3.21 of the Listing Rules and with the written terms of reference in compliance with paragraph C.3 the Corporate Governance Code (the "**Code**") as set out in the Appendix 14 of the Listing Rules. The primary duties of the audit committee are to (i) make recommendations to our Board on the appointment and removal of the external auditors; (ii) review the financial statements; (iii) to review the effectiveness of our Company's internal audit activities, internal control and risk management systems; and (iv) to review and monitor the extent of any non-audit work undertaken by the external auditors. Our audit committee currently consists of Mrs. Kan Wan Wai Yee Mavis, Mr. May Tai Keung Nicholas and Dr. Sham Chung Ping Alain. The chairperson of the audit committee is Mr. May Tai Keung Nicholas.

Remuneration Committee

Our Company established a remuneration committee on 22 January 2020 pursuant to a resolutions of our Directors passed on 22 January 2020 in compliance with Rule 3.25 of the Listing Rules and with the written terms of reference in compliance with paragraph B.1 of the Code. The primary duties of the remuneration committee are (i) to make recommendations to our Board on the overall remuneration policy and structure relating to our Directors and senior management of our Group; (ii) other remuneration-related matters, including benefits-in-kind and other compensation payable to our Directors and senior management and (iii) to review performance based remunerations and to establish a formal and transparent procedure for developing policy in relation to remuneration. Our remuneration committee currently consists of Dr. Sham Chung Ping Alain, Mrs. Kan Wan Wai Yee Mavis and Mr. Lau Ping Cheung Kaizer. The chairperson of the remuneration committee is Dr. Sham Chung Ping Alain.

Nomination Committee

Our Company established a nomination committee on 22 January 2020 pursuant to a resolutions of our Directors passed on 22 January 2020 in compliance with the written terms of reference in compliance with paragraph A.5 of the Code. The primary duties of our nomination committee are (i) to review the structure, size, composition and diversity of our Board on a

regular basis; (ii) to identify individuals suitably qualified to be Board members; (iii) to assess the independence of independent non-executive Directors; (iv) to make recommendations to our Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors; and (v) to make recommendations to our Board regarding candidates to fill vacancies on our Board. Our nomination committee currently consists of Mr. Lau Ping Cheung Kaizer, Mr. May Tai Keung Nicholas and Mr. Wan Man Keung. The chairperson of the nomination committee is Mr. Lau Ping Cheung Kaizer.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Service contract/Letter of appointment with Directors

Each of our executive Directors has entered into a service contract with SEM Resources for a term of three years commencing from the **[REDACTED]** (subject to termination in certain circumstances as stipulated in the relevant service contract). Each of our executive Directors is entitled to their respective basic salaries set out below and may be entitled to a discretionary bonus. The current basic annual salaries of our executive Directors to their respective executive and management roles in our Group are as follows:

Name	**Approximate annual salary** *(HK$)*
Mr. Woo	948,000
Mr. CW Wun	538,000
Mr. Yu	472,000

Each of our non-executive Directors and independent non-executive Directors has entered into a letter of appointment with our Company for a period of three years commencing from the **[REDACTED]** (subject to termination in certain circumstances as stipulated in the relevant letter of appointment). The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors and removal and retirement by rotation of Directors. Each of our non-executive Directors and independent non-executive Directors is entitled to a director's fee of HK$180,000 per annum. Save for the directors' fee, none of our non-executive Directors and independent non-executive Directors is expected to receive any other remuneration for holding their office as a non-executive Directors or an independent non-executive Director and a member of any board committees of our Company.

Save as disclosed above, no Director has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

Emoluments paid during the Track Record Period

For each of the FY2016, FY2017, FY2018 and 7M2019, the aggregate amount of emoluments (including fees, salaries and other allowance, performance related incentive payments and retirement benefit scheme contributions) paid by our Group to our Directors amounted to approximately MOP1.0 million, MOP1.5 million, MOP1.7 million and MOP1.2 million respectively. It is estimated that an aggregate sum of approximately MOP2.2 million and MOP2.6 million are payable by our Group to our Directors as emoluments for FY2019 and the year ending 31 December 2020, respectively.

For each of the FY2016, FY2017, FY2018 and 7M2019, the aggregate amount of emoluments (including fees, salaries and other allowance, performance related incentive payments and retirement benefit scheme contributions) paid by our Group to the five highest paid individuals, excluding our Directors, were approximately MOP0.9 million, MOP0.7 million, MOP0.7 million and MOP1.7 million, respectively. For details of the emoluments of our Directors and the five highest paid individuals of our Group during the Track Record Period, please refer to note 9 of Appendix I to the document.

During the Track Record Period, no emoluments were paid by our Group to any of the aforementioned five highest paid individuals and any of the Directors as an inducement to join or upon joining our Group or as compensation for loss of office. There was no arrangement under which any of our Directors waived or agreed to waive any remuneration during the Track Record Period. Save as disclosed above, no other emoluments have been paid, or are payable, by us to our Directors in respect of each FY2016, FY2017, FY2018 and 7M2019.

Subject to the review by and the recommendations of our remuneration committee, the remuneration policy we intend to adopt after the **[REDACTED]** for our Directors and senior management members will be based on comparable market levels and their performance and qualifications.

EMPLOYEES

As at the Latest Practicable Date, our Group had 24 full-time employees who were directly employed by us in Hong Kong and Macau. For details about our employees and staff policy, please refer to the paragraph headed "Business – Our employees" in the document.

Our staff cost (comprising both of the staff cost recognised under our cost of sales and our administrative expenses) for each of FY2016, FY2017, FY2018 and 7M2019 amounted to approximately MOP3.5 million, MOP4.9 million, MOP4.9 million and MOP4.5 million respectively.

In Hong Kong, we operate a defined contribution retirement benefits scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong) for all of our employees in Hong Kong who joined us after the commencement of this ordinance. Contributions are made based on a percentage of the employees' basic salaries.

We contribute the lower of HK$1,500 or 5% of the relevant monthly salary to the MPF Scheme, a contribution to be matched by our employees.

In Macau, our employees in Macau participate in the mandatory social security fund. We are required to make a contribution of MOP60 per month for each of our employees in Macau. The mandatory social security fund is planned, managed, and supervised by the Macau Government to invest the contributions and the Macau Government will pay out the pensions out of such fund to the retired employees in Macau.

Share Option Scheme

Our Company has conditionally adopted the Share Option Scheme on 22 January 2020 under which certain selected classes of participants (including, among others, full-time employees and Directors) may be granted options to subscribe for our Shares. The principal terms of the Share Option Scheme are summarised in the paragraph headed "D. Share Option Scheme" in Appendix V to the document.

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the **[REDACTED]** and the exercise of any options which may be granted under the Share Option Scheme):

		HK$
Authorised share capital:		
[REDACTED]	Shares	**[REDACTED]**
Issued and to be issued, fully paid or credited as fully paid:		
[REDACTED]	Shares in issue as at the date of the document	**[REDACTED]**
[REDACTED]	Shares to be allotted and issued upon completion of the **[REDACTED]**	**[REDACTED]**
[REDACTED]	Shares to be allotted and issued pursuant to the **[REDACTED]**	**[REDACTED]**
[REDACTED]	Shares in total	**[REDACTED]**

If the **[REDACTED]** is exercised in full, and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, then **[REDACTED]** additional new Shares will be issued, resulting in a total enlarged issued share capital after completion of the **[REDACTED]** and the **[REDACTED]** of HK$**[REDACTED]** divided into **[REDACTED]** Shares.

ASSUMPTIONS

The table as shown above assumes the **[REDACTED]** becoming unconditional and the allotment and issue of Shares pursuant thereto and under the **[REDACTED]** is made as described herein. It does not take into account any Shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]** and the exercise of any options which may be granted under the Share Option Scheme and any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate given to our Directors to allot and issue or repurchase Shares referred to in the paragraphs headed "General mandate to issue Shares" or "General mandate to repurchase Shares" in this section, as the case may be.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1) of the Listing Rules, at the time of the **[REDACTED]** and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of the total issued share capital of our Company in the hands of the public (as defined in the Listing Rules).

RANKING

The **[REDACTED]** will be ordinary shares of our Company and will rank *pari passu* in all respects with all the Shares in issue or to be issued as mentioned in the document and will qualify for all dividends and other distributions declared, paid or made on the Shares in respect of a record date which falls after the **[REDACTED]** (except for the entitlement under the **[REDACTED]**).

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the paragraph headed "D. Share Option Scheme" in Appendix V to the document.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed "Structure and conditions of the **[REDACTED]** – Conditions of the **[REDACTED]**" of the document being fulfilled, our Directors have been granted a general unconditional mandate to allot, issue and deal with 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 total number of 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) **[REDACTED]**% of the total number of Shares in issue immediately following the completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the **[REDACTED]** and the exercise of any options which may be granted under the Share Option Scheme); and

(b) the aggregate number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase shares granted to our Directors as referred to in the paragraph headed "General mandate to repurchase Shares" in this section.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of the **[REDACTED]** or the exercise of any options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until:

(a) the conclusion of our Company's next annual general meeting;

(b) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or

(c) the time when such mandate is revoked, varied or renewed by an ordinary resolution of our Shareholders in general meeting, whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed "A. Further information about our Company – 3. Written resolutions of the sole Shareholder passed on 22 January 2020" in Appendix V to the document.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions set forth in the section headed "Structure and Conditions of the **[REDACTED]** – Conditions of the **[REDACTED]**" of the document being fulfilled, our Directors have been granted a general mandate to exercise all the powers to purchase Shares (Shares which may be **[REDACTED]** on the Stock Exchange or on any other stock exchange on 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 the completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the **[REDACTED]** and 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 **[REDACTED]** (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 "Repurchase by our Company of its own securities" in Appendix V to the document.

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

(a) the conclusion of our Company's next annual general meeting;

(b) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable laws of the Cayman Islands or the Articles; or

(c) it is varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed "A. Further information about our Company – 7. Repurchase by our Company of its own securities" in Appendix V to the document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in our Articles. For details, please see the section headed "Summary of the constitution of the Company and Cayman Islands Company Law" in Appendix IV to the document.

So far as our Directors are aware, immediately following completion of the **[REDACTED]** and the **[REDACTED]** (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]** or any options which may be granted under the Share Option Scheme), the following persons/entities will have an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any member of our Group:

Interests and long positions in Shares

Name of Shareholder	**Nature of interests**	**Number of Shares** *(Note 1)*	**Approximate percentage of shareholding**
SEM Enterprises	Beneficial interest *(Note 2)*	**[REDACTED]** (L)	**[REDACTED]**%
Mr. MK Wan	Interest in a controlled corporation *(Note 2)*	**[REDACTED]** (L)	**[REDACTED]**%
Ms. Lam Yin	Interest of spouse *(Note 3)*	**[REDACTED]** (L)	**[REDACTED]**%

Notes:

1. The letter "L" denotes the Shareholder's long position in Shares.

2. SEM Enterprises is owned as to 74.08%, 23.04% and 2.88% by Mr. MK Wan, Mr. CW Wun and Mr. Yu respectively. Hence, Mr. MK Wan is deemed to be interested in all the Shares held by SEM Enterprises under the SFO.

3. Ms. Lam Yin is the wife of Mr. MK Wan and is deemed to be interested in the Shares which are interested by Mr. MK Wan under the SFO.

Save as disclosed above, our Directors are not aware of any other person who will, immediately following the **[REDACTED]** and the **[REDACTED]** and without taking into account any Shares which may be allotted and issued pursuant to the exercise the **[REDACTED]** or any options which may be granted under the Share Option Scheme, have an interest or short position in the Shares or underlying Shares which would be fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

You should read this section in conjunction with our audited consolidated financial statements, including the notes thereto, as set out in the Accountant's Report set in Appendix I to the document and not merely rely on the information contained in this section. Our consolidated financial statements have been prepared in accordance with the HKFRSs.

The following discussion and analysis contain certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception, historical trends, current conditions, and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depends on a number of risks and uncertainties over which we do not have control. For further information, you should refer to the section headed "Risk Factors" in the document.

OVERVIEW

Founded in 2006, we are an established E&M engineering works contractor in Macau with our focus on providing electrical-related E&M engineering works. During the Track Record Period, the scope of our E&M engineering works mainly consisted of supply, installation and maintenance of electrical system, for new and existing buildings in the projects of commercial and residential development, hotel development, casino development and hotel renovation in Macau. All our revenue was derived from Macau during the Track Record Period.

We provided our E&M engineering works in Macau through Ready System (Macau) which has registered with the DSSOPT as a registered contractor for execution of construction works (實施工程), and were generally engaged as a subcontractor or sub-subcontractor. As such, our customers were generally the main contractors or the E&M engineering works subcontractors in the relevant development and renovation projects in Macau.

During the Track Record Period, while our projects were at various scales, major part of our revenue was attributable to the large scale projects, i.e. Projects P1 to P10. Approximately 77.1%, 94.5%, 85.2% and 56.6% of our revenue in FY2016, FY2017, FY2018 and 7M2019 were attributable to our projects each with recognised revenue of more than MOP10 million (MOP6 million for 7M2019) to us for the same periods, respectively. The initial contract sum of each of Projects P1 to P9 is over MOP10 million and in particular, the initial contract sum of each of Projects P1 and P2 is over MOP100 million. For further information of Projects P1 to P10, please refer to the paragraph headed "Business – Our projects" in the document.

During the Track Record Period, nearly all our E&M engineering works were provided for private sector projects, while we had only five public sector projects, with their revenue recognised in FY2016, FY2018 and 7M2019 at approximately MOP4.9 million, MOP255,000 and MOP367,000, respectively.

In FY2016, FY2017, FY2018 and 7M2019, our revenue amounted to approximately MOP139.7 million, MOP207.9 million, MOP185.2 million and MOP110.0 million, respectively. According to the Frost & Sullivan Report, our revenue attributable to E&M engineering works in Macau in FY2018 represented approximately 1.6% of the total revenue generated from the entire E&M engineering industry in 2018 in Macau, and ranked fifth among the E&M engineering works contractors in Macau in terms of share of total industry revenue in 2018.

During the Track Record Period, we had completed 30 projects. As at 31 July 2019, we had 20 on-going projects (either in progress or yet to commence). After 31 July 2019 and up to the Latest Practicable Date, we had completed two further projects and five new projects had been awarded. As at the Latest Practicable Date, we had 23 on-going projects (either in progress or yet to commence). Our Directors expect that these on-going projects will contribute revenue to us of approximately MOP85.1 million for the remaining five months ended 31 December 2019, approximately MOP157.9 million in FY2020 and approximately MOP74.2 million in FY2021. These on-going projects are expected to be completed by FY2021.

BASIS OF PRESENTATION AND PREPARATION

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 6 November 2015. In anticipation of the **[REDACTED]**, we underwent the Reorganisation, as stated in the section headed "History, Reorganisation and Group Structure – Reorganisation" in the document. Following the Reorganisation, our Company became the holding company of all the subsidiaries now comprising our Group.

The consolidated financial information for FY2016, FY2017, FY2018 and 7M2019 has been prepared by our Directors in accordance with the accounting policies in compliance with HKFRSs.

KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial position have been, and will continue to be, affected by several factors, including those set out below and in the section headed "Risk Factors" in the document. Factors other than those set forth below could also have a significant impact on our results of operations and financial position in future.

Relationship with our customers

During the Track Record Period, our top five customers accounted for approximately 95.4%, 99.7%, 94.4% and 93.0% of our total revenue, respectively. In particular, Customer A (being our largest customer for FY2016, FY2017 and FY2018) accounted for approximately 45.4%, 70.8%, 35.5% and 34.8% of our total revenue for FY2016, FY2017, FY2018 and 7M2019, respectively. During the Track Record Period, we did not enter into any long term agreement or master service agreement with our customers and the projects were awarded to us on a project basis through the competitive bidding process. Our results of operations, profitability and liquidity may be materially and adversely affected if we are unable to secure

new projects from Customer A or our major customers or fail to procure similar level of business from new customers on comparable commercial terms to offset the loss of revenue from Customer A or our major customers.

In addition, our business, financial condition and results of operations also depend on the financial condition and commercial success of our major customers (in particular Customer A). If any of our top five customers shall become unwilling or unable to make payments, we may be unable to recover significant amounts of trade receivables and our cash flow and financial position may be materially and adversely affected.

Changes of construction activities in Macau

During the Track Record Period, we provide all our E&M engineering works in Macau. Our revenue generated from provision of E&M engineering works amounted to approximately MOP139.7 million, MOP207.9 million, MOP185.2 million and MOP110.0 million for the Track Record Period, respectively. The increase or decrease in the number of E&M engineering work orders depends on the construction activities in Macau. Therefore, changes in construction activities in Macau could have significant impact on the demand of our services and, thus, affect our business and results of operations.

Ability to secure new projects

Our E&M engineering works are provided on contract basis and non-recurring in nature. We secure these projects through competitive tendering process. While some developers may invite us for tender, whether we can successfully secure the tender still depends on our bid. Therefore, our future growth and success will then depend on our ability to continue securing new projects. Our success rate were approximately 16.7%, 27.8%, 37.4% and 36.8% for FY2016, FY2017, FY2018 and 7M2019, respectively. Our results of operations will be adversely affected if we are unable to secure sizable and sufficient number of projects in the future.

Appropriateness of pricing and cost estimation of our projects

The tender price of our E&M engineering projects is based on our estimated project costs plus a certain mark-up margin. However, the actual time and cost incurred by us may be adversely affected for various factors, including but not limited to, unfavourable weather conditions, disputes with customers, suppliers, subcontractors and other project parties, insufficient allocation of imported labour quota to us, difficulties in retaining necessary number of workers with requisite skills, receipt of variation orders from our customers, unexpected fluctuations in the market price of electrical equipment, materials and parts after the commencement of project, and other unforeseen circumstances. Significant changes in any of these or other relevant factors may lead to delay in completion or cost overrun by us, and there is no assurance that the actual time and cost incurred by us would match our initial estimates. Such delays, cost overruns or mismatch of actual time and cost with our estimates may cause our profitability to be lower than what we expected or may expose us to litigation or claims from customers in case of delays. If we set a significant mark-up margin upon our estimated cost to

cater for the unfavourable circumstances above, our tender or quotation may become uncompetitive. There is no assurance that we will always be able to price our tender or quotation competitively, and if we fail to do so, our customers may opt for our competitors, thereby resulting in a decrease in the number of projects awarded to us. This would adversely affect our operations and financial results. Meanwhile, if the mark-up margin set by us is too low, we may not be able to cover the financial impact of any unfavourable circumstances during project implementation. Our profitability in the project would hence be materially and adversely affected.

Fluctuation in cost of sales

During the Track Record Period, our cost of materials and subcontracting costs are the major components of our cost of sales.

The price and availability of different E&M engineering materials may vary from period to period due to factors such as customer specification, demand, and market conditions.

We procure direct materials from our suppliers on a project-by-project basis and generally do not keep extra inventory, other than those E&M engineering materials which are maintained due to expected wastage occurred during the provision of our E&M engineering works and for subsequent rectification works at later stage for the relevant projects, since the E&M engineering materials are directly delivered to our customers' sites. The level of materials purchased by our Group in any given reporting period were influenced by factors such as (i) the number of projects in progress at any given point of time; (ii) the work schedule of each project; and (iii) the size and complexity of each project.

For FY2016, FY2017, FY2018, 7M2018 and 7M2019, the total cost of materials amounted to approximately MOP37.4 million, MOP58.6 million, MOP47.9 million, MOP41.2 million and MOP13.1 million, representing approximately 35.3%, 37.4%, 37.2%, 47.2% and 16.7% of our total cost of sales, respectively. Therefore, any unexpected changes to our cost of materials may affect our profitability.

The level of subcontracting costs incurred by our Group in any given reporting period were influenced by factors such as (i) the number of supply and installation projects in progress at any given point of time; (ii) the work schedule of each project; and (iii) the scale and complexity of each project.

For FY2016, FY2017, FY2018, 7M2018 and 7M2019, the total subcontracting costs amounted to approximately MOP63.9 million, MOP91.1 million, MOP72.2 million, MOP41.4 million and MOP62.1 million, representing approximately 60.3%, 58.2%, 56.0%, 47.4% and 79.6% of our total cost of sales, respectively. Therefore, any unexpected changes to our subcontracting costs may affect our profitability.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations of our cost of materials and subcontracting costs on our profit before tax during the Track Record Period. Fluctuations in our cost of materials are assumed to be 20%, 40% and 60% and subcontracting costs are assumed to be 20%, 30% and 40%, while all other factors remained unchanged:

	Changes in cost of materials		
	+/-20%	**+/-40%**	**+/-60%**
	MOP'000	*MOP'000*	*MOP'000*
Hypothetical fluctuations			
Decrease/Increase in profit before tax			
FY2016	7,481	14,962	22,442
FY2017	11,727	23,454	35,180
FY2018	9,583	19,166	28,750
7M2018	8,234	16,467	24,701
7M2019	2,613	5,226	7,839

	Changes in subcontracting costs		
	+/-20%	**+/-30%**	**+/-40%**
	MOP'000	*MOP'000*	*MOP'000*
Hypothetical fluctuations			
Decrease/Increase in profit before tax			
FY2016	12,776	19,163	25,551
FY2017	18,228	27,341	36,455
FY2018	14,440	21,660	28,880
7M2018	8,270	12,405	16,540
7M2019	12,416	18,623	24,831

Prospective investors should note that the above analysis is based on assumptions and for illustration purpose only, and should not be viewed as the actual effect of such hypothetical fluctuations.

Quality of E&M engineering works performed by our subcontractors

For FY2016, FY2017, FY2018, 7M2018 and 7M2019, we engage subcontractors to perform E&M engineering works in our projects on contract basis. Our subcontracting costs amounted to approximately MOP63.9 million, MOP91.1 million, MOP72.2 million, MOP41.4 million and MOP62.1 million, representing approximately 60.3%, 58.2%, 56.0%, 47.4% and 79.6% of our total cost of sales, respectively.

There is no assurance that our subcontractors will always follow strictly all of our instructions. If the subcontractors fail to carry out the works in accordance with our standards and specifications, we may experience delay in project completion, quality issues concerning the works done, or non-performance by subcontractors. Consequently, we may have to incur significant time and cost to carry out remedial actions, which would in turn adversely affect the profitability and reputation of our business, and result in litigation or damage claims against us.

Under the contracts entered into between our customers and us, we are generally liable to our customers for the quality of work done by our subcontractors. In the event that the E&M engineering works performed by our subcontractors are not up to standard, we may incur extra costs and hence our financial performance may be affected adversely.

SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

Significant accounting policies and estimates are those accounting policies and estimates that involve significant judgements and uncertainties and potentially yield materially different results under different assumptions and conditions. Certain significant accounting policies are set forth in Note 3 to the Historical Financial Information of the section headed "Accountants' Report" in Appendix I to the document. Our consolidated financial information has been prepared in accordance with the HKFRSs, which requires that we adopt accounting policies and make estimates that we believe are the most appropriate in the circumstances for the purposes of giving a true and fair view of our financial performance and financial position. Estimates and judgements are based on historical experience, prevailing market conditions and rules and regulations, and are reviewed on a continual basis taking into account of the changing environment and circumstances.

APPLICATION AND ADOPTION OF HKFRS 9, HKFRS 15 AND HKFRS 16

For the purpose of preparing the historical financial information for the Track Record Period, our Group has consistently applied Hong Kong Accounting Standards, HKFRSs amendments and interpretations issued by Hong Kong Institute of Certified Public Accountants, including HKFRS 15 "Revenue from Contracts with Customer" and HKFRS 16 "Leases", that are effective for the accounting period beginning on 1 January 2019 throughout the Track Record Period, except that our Group adopted HKFRS 9 "Financial Instruments" since 1 January 2018 and adopted HKAS 39 "Financial Instruments: Recognition and Measurement" for the two years ended 31 December 2017.

For HKFRS 15, our Group adopted a full retrospective application which has been applied on a consistent basis throughout the Track Record Period. Our Directors consider the adoption of HKFRS 15 did not have significant impact on our Group's financial position and performance during the Track Record Period.

For HKFRS 16, our Group adopted a on a full retrospective application which has been applied on consistent basis throughout the Track Record Period. Our Directors consider the adoption of HKFRS 16 did not have material impact on our Group's performance for the years

ended 31 December 2016, 2017 and 2018 and the seven months ended 31 July 2019 and our Group's net assets as at 31 December 2016, 2017 and 2018 and 31 July 2019 as compared to the adoption of HKAS 17 Leases ("**HKAS 17**"). The adoption resulted in more detailed disclosures of the historical financial information of our Group throughout the Track Record Period.

For HKFRS 9, our Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs for the year ended 31 December 2018 and the seven months ended 31 July 2019. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("**ECL**") for financial assets and contract assets and 3) general hedge accounting.

Our Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) 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 difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018, if any, are recognised in the opening accumulated profits and other components of equity, without restating comparative information. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39.

Summary of effects arising from initial application of HKFRS 9

Classification and measurement of financial assets

All financial assets and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39.

Impairment under ECL model

Upon the initial adoption of HKFRS 9 on 1 January 2018, our Directors of our Company reviewed and assessed our Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

Our Group has applied the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for its trade receivables and contract assets. Trade receivables and contract assets have been assessed individually. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Our Group has therefore estimated the expected loss rates for the trade receivables and the contract assets on the same basis.

Loss allowances for other financial assets at amortised cost mainly comprise of deposits, other receivable, amounts due from a director, immediate holding company, related companies and subsidiaries, pledged bank deposits, time deposit and bank balances and cash, are measured

on 12-month ECL basis as there had been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the expected loss allowance as compared to the incurred loss model of HKAS 39 "Financial Instruments: Recognition and Measurement" did not result in a material difference and hence did not result in an adjustment of opening accumulated profits.

Taking into account the impact as disclosed above, our Directors consider the adoption of HKFRS 9 did not have significant impact on our Group's financial position and performance during the Track Record Period.

SUMMARY OF FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss and Other Comprehensive Income

The table below sets forth the selected financial information extracted from our combined statements of profit or loss and other comprehensive income for the Track Record Period which have been extracted from, and should be read in conjunction with the Accountants' Report set forth in Appendix I to the document:

	FY2016	**FY2017**	**FY2018**	**7M2018**	**7M2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* (unaudited)	*MOP'000*
Revenue	139,686	207,913	185,229	118,643	110,044
Cost of sales	(105,895)	(156,713)	(128,888)	(87,257)	(78,024)
Gross profit	33,791	51,200	56,341	31,386	32,020
Other income	206	100	123	14	38
Impairment loss	–	–	–	–	(216)
Administrative expenses	(4,561)	(5,909)	(6,275)	(3,169)	(5,829)
Interest on lease liabilities	(83)	(75)	(36)	(27)	(51)
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Profit before taxation	23,022	44,909	48,413	26,814	10,977
Taxation	(3,763)	(6,010)	(6,927)	(3,698)	(3,663)
Profit and total comprehensive income for the year/period	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

Consolidated Statements of Financial Position

	As at 31 December			As at 31 July
	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Non-current assets				
Property, plant and equipment	1,145	1,038	15,374	16,059
Pledged bank deposits	3,134	22,541	–	–
	4,279	23,579	15,374	16,059
Current assets				
Trade and other receivables	40,293	19,429	42,607	46,099
Contract assets	24,373	39,453	50,964	55,755
Amount due from a director	90	1,013	1,012	1,023
Amount due from immediate holding company	473	483	586	586
Amounts due from related companies	8,017	213	213	–
Pledged bank deposits	–	–	29,021	29,366
Time deposit	20,000	7,000	7,371	7,041
Bank balances and cash	23,481	45,064	26,951	28,530
	116,727	112,655	158,725	168,400
Current liabilities				
Trade and other payables	45,115	19,242	17,401	29,550
Contract liabilities	2,485	1,505	14,539	1,574
Lease liabilities	819	802	672	955
Amounts due to directors	209	386	360	–
Amounts due to related companies	2,270	460	164	–
Taxation payable	5,428	10,260	9,823	13,486
	56,326	32,655	42,959	45,565
Net current assets	60,401	80,000	115,766	122,835
Total assets less current liabilities	64,680	103,579	131,140	138,894
Non-current liabilities				
Lease liabilities	–	–	–	440
	64,680	103,579	131,140	138,454
Capital and reserves				
Share capital	516	516	464	464
Reserves	64,164	103,063	130,676	137,990
	64,680	103,579	131,140	138,454

DISCUSSION AND ANALYSIS OF FINANCIAL PERFORMANCE OF OUR GROUP

Revenue

With our focus on providing electrical-related E&M engineering works, during the Track Record Period, the scope of our E&M engineering works mainly consisted of supply, installation and maintenance of electrical system, for new and existing buildings in the projects of commercial and residential development, hotel development, casino development and hotel renovation in Macau.

We derived all of our revenue from Macau and our revenue amounted to approximately MOP139.7 million, MOP207.9 million, MOP185.2 million, MOP118.6 million and MOP110.0 million for FY2016, FY2017, FY2018, 7M2018 and 7M2019, respectively.

The following table sets forth the breakdown of our revenue attributable to the provision of E&M engineering works during the Track Record Period by property type:

	FY2016		**FY2017**		**FY2018**		**7M2018**		**7M2019**	
	MOP'000	*%*	*MOP'000*	*%*	*MOP'000*	*%*	*MOP'000*	*%*	*MOP'000*	*%*
							(unaudited)			
Hotels and casino	101,747	72.9	116,707	56.1	89,960	48.6	60,431	51.0	77,665	70.6
Residential properties	1,320	0.9	1,067	0.5	4,350	2.4	168	0.1	6,648	6.0
Commercial properties	31,722	22.7	90,139	43.4	89,727	48.4	57,932	48.8	24,002	21.8
Others	4,897	3.5	–	–	1,192	0.6	112	0.1	1,729	1.6
Total	139,686	100.0	207,913	100.0	185,229	100.0	118,643	100.0	110,044	100.0

For FY2016, FY2017, FY2018 and 7M2019, we had been awarded 4, 2, 13 and 17 E&M engineering works contracts and completed 5, 3, 5 and 17 E&M engineering work contracts, respectively, details of which are set out in the table below:

	As at 31 December			**As at 31 July**
	2016	**2017**	**2018**	**2019**
Number of on-going projects at the beginning of the year	14	13	12	20
Number of new projects awarded during the year	4	2	13	17
Number of projects completed during the year	(5)	(3)	(5)	(17)
Number of ongoing projects as at the end of the year	13	12	20	20

As at the Latest Practicable Date, we had 23 awarded and on-going E&M engineering works projects, which include projects that we have commenced but not yet completed and projects that we have been awarded but not yet commenced. These on-going projects are expected to be completed by FY2021. Our Directors expect that these on-going projects will contribute revenue to us of approximately MOP85.1 million for the remaining five months ended 31 December 2019, approximately MOP157.9 million in FY2020 and approximately MOP74.2 million in FY2021.

For further details of our Projects, please refer to the paragraph headed "Business – Our projects" in the document.

Comparison of revenue for FY2016 and FY2017

Our revenue generated from provision of E&M engineering works increased from approximately MOP139.7 million for FY2016 to approximately MOP207.9 million for FY2017, representing an increase of approximately MOP68.2 million or approximately 48.8%. Notwithstanding the higher number of projects undertaken by us during FY2016 as compared to FY2017, the increase in revenue during FY2017 as compared to FY2016 is mainly due to the increase in amount of work performed for certain projects where increase in revenue recognised of approximately MOP99.5 million in aggregate were recorded from Project P1, Project P2, Project P3 and Project P5 was which had a substantial amount of revenue recognised during FY2017, with approximately MOP197.1 million in aggregate of revenue recognised during FY2017 and only approximately MOP97.6 million in aggregate of revenue recognised during FY2016. In particular, the aforementioned increase was mainly driven by the increase in our revenue derived from our Project's with latest contract sum of above MOP100 million, which is mainly contributed by the increase in revenue from Project P1, Project P2 and Project P3, where these projects contributed approximately MOP89.3 million for FY2016 and approximately MOP183.3 million for FY2017. The increase in revenue contributed by Project P1, Project P2 and Project P3 during FY2017 is mainly due to these projects being in full swing where a substantial portion of work were completed for such projects.

Such increase in revenue during FY2017 was mainly offsetted by the decrease in revenue recognised of approximately MOP16.8 million from Project P4 which had a substantial amount of revenue recognised during FY2016, with approximately MOP18.4 million of revenue recognised during FY2016 and only approximately MOP1.6 million of revenue recognised during FY2017. The aforementioned decrease in revenue recognised from Project P4 was mainly due to a relatively substantial portion of works completed during FY2016 as compared to FY2017.

Comparison of revenue for FY2017 and FY2018

Our revenue generated from provision of E&M engineering works decreased from approximately MOP207.9 million for FY2017 to approximately MOP185.2 million for FY2018, representing a decrease of approximately MOP22.7 million or approximately 10.9%. Despite the increment in the number of projects undertaken by us during FY2018 as compared to FY2017,

the decrease in revenue during FY2018 as compared to FY2017 is mainly due to the decrease in amount of work performed for certain projects where the decrease in revenue recognised of approximately MOP94.2 million in aggregate were recorded from Project P1, Project P2 and Project P5 is which had a substantial amount of revenue recognised during FY2017, with approximately MOP160.1 million in aggregate of revenue recognised during FY2017 and only approximately MOP65.9 million in aggregate of revenue recognised during FY2018. In particular, the aforementioned decrease was mainly driven by the decrease in our revenue derived from our Project's with latest contract sum of above MOP100 million, which is mainly contributed by the decrease in revenue from Project P1 and Project P2, where revenue from projects with the latest contract sum of above MOP100 million contributed approximately MOP183.3 million for FY2017 and approximately MOP92.1 million for FY2018. The decrease in revenue contributed by Project P1 and Project P2 is mainly due to these projects approaching its latter stages for FY2018, which generally would result in a relatively lower level of revenue being recognised at such stages.

Such decrease in revenue during FY2018 was mainly offsetted by the increase in revenue recognised of approximately MOP48.9 million in aggregate from Project P3, Project P6 and Project P7 which had a substantial amount of revenue recognised during FY2018, with approximately MOP85.9 million of revenue recognised during FY2018 and only approximately MOP37.0 million of revenue recognised during FY2017. The aforementioned increase in revenue recognised form Project P3, Project P6 and Project P7 was mainly due to a relatively greater portion of works completed during FY2018 as compared to FY2017, of which no work were performed for Project P6 and Project P7 during FY2017 as such project only commenced during March 2018 and April 2018, respectively.

Comparison of revenue for 7M2018 and 7M2019

Our revenue generated from provision of E&M engineering works decreased from approximately MOP118.6 million for 7M2018 to approximately MOP110.0 million for 7M2019, representing a decrease of approximately MOP8.6 million or approximately 7.2%. Despite the increment in the number of projects undertaken by us during 7M2019 as compared to 7M2018, the decrease in revenue during 7M2019 as compared to 7M2018 is mainly due to the decrease in amount of work performed for certain projects where the decrease in revenue recognised of approximately MOP74.8 million in aggregate were recorded from Project P2, Project P3, Project P5, Project P6 and Project P7 which had a substantial amount of revenue recognised during 7M2018, with approximately MOP96.0 million of revenue recognised during 7M2018 and only approximately MOP21.2 million of revenue recognised during 7M2019. In particular, the aforementioned decrease was mainly driven by the decrease in our revenue derived from our Projects with latest contract sum of above MOP100 million, which decrease is mainly contributed by the decrease in revenue from Project P2 and Project P3, where revenue from projects with the latest contract sum of above MOP100 million contributed approximately MOP78.5 million for 7M2018 and approximately MOP29.0 million for 7M2019. The aforementioned decrease in revenue contributed by (i) Project P2 and Project P3 is mainly due to such project being closed to its completion, resulting in a relatively lower level of revenue being recognised for 7M2019; and (ii) Project P5 where such project was completed in January 2019.

Such decrease in revenue during 7M2019 was mainly offsetted by the increase in revenue recognised of approximately MOP42.5 million in aggregate from Project P8, Project P9, Project P10, Project P11, Project S16 and Project S18 which had a substantial amount of revenue recognised during 7M2019, with approximately MOP45.2 million in aggregate of revenue recognised during 7M2019 and approximately MOP2.7 million revenue recognised during 7M2018. The aforementioned increase in revenue recognised from Project P8, Project P9, Project P10, Project P11, Project S16 and Project S18 was mainly due to a greater portion of works completed during 7M2019 as compared to 7M2018, in which Project P9, Project P10, Project P11, Project S16 and Project S18 only commenced during December 2018, August 2018, November 2018, March 2019, June 2019, respectively.

Cost of sales

Our cost of sales mainly comprise of (i) costs of materials; (ii) subcontracting costs; (iii) staff costs; and (iv) other expenses.

The following table sets forth the breakdown of our cost of sales by nature during the Track Record Period:

	FY2016		**FY2017**		**FY2018**		**7M2018**		**7M2019**	
	MOP'000	*%*	*MOP'000*	*%*	*MOP'000*	*%*	*MOP'000* (unaudited)	*%*	*MOP'000*	*%*
Cost of materials	37,404	35.3	58,634	37.4	47,916	37.2	41,168	47.2	13,065	16.7
Subcontracting costs	63,878	60.3	91,138	58.2	72,200	56.0	41,399	47.4	62,078	79.6
Staff costs	932	0.9	1,372	0.9	1,014	0.8	581	0.7	560	0.7
Others[(Note)]	3,681	3.5	5,569	3.5	7,758	6.0	4,109	4.7	2,321	3.0
	105,895	100.0	156,713	100.0	128,888	100.0	87,257	100.0	78,024	100.0

Note:

1. Others mainly represent expenses such as drawing expenses, travelling expenses and tools expenses.

Our total cost of sales amounted to approximately MOP105.9 million, MOP156.7 million, MOP128.9 million, MOP87.3 million and MOP78.0 million for FY2016, FY2017, FY2018, 7M2018 and 7M2019, respectively.

Cost of materials

Cost of materials mainly represents the expenses of direct materials which are used for the provision of our E&M engineering works. For FY2016, FY2017, FY2018, 7M2018 and 7M2019, our cost of materials amounted to approximately MOP37.4 million, MOP58.6 million, MOP47.9

million, MOP41.2 million and MOP13.1 million, representing approximately 35.3%, 37.4%, 37.2%, 47.2% and 16.7% of our total cost of sales, respectively.

Subcontracting costs

Subcontracting costs represent charges and fees paid to our subcontractors who mainly provide labour and services necessary for the completion of the E&M engineering works undertaken by us. For FY2016, FY2017, FY2018, 7M2018 and 7M2019, subcontracting costs amounted to approximately MOP63.9 million, MOP91.1 million, MOP72.2 million, MOP41.4 million and MOP62.1 million, representing approximately 60.3%, 58.2%, 56.0%, 47.4% and 79.6% of our total cost of sales, respectively. Included in our subcontracting costs were costs that were paid for our imported workers that were analogous with our direct staff in terms of operation which amounted to approximately MOP17.6 million, MOP23.2 million, MOP27.9 million and MOP14.9 million for FY2016, FY2017, FY2018 and 7M2019, respectively. For further information, please refer to the paragraph headed "Business – Our Subcontractors – Imported workers"

Staff costs

Staff costs represent the salaries and other benefits directly attributable to the provision of our E&M engineering works. For FY2016, FY2017, FY2018, 7M2018 and 7M2019, staff costs amounted to approximately MOP0.9 million, MOP1.4 million, MOP1.0 million, MOP0.6 million and MOP0.6 million, representing approximately 0.9%, 0.9%, 0.8%, 0.7% and 0.7% of our total cost of sales, respectively.

Comparison of cost of sales for FY2016 and FY2017

Our cost of sales increased from approximately MOP105.9 million for FY2016 to approximately MOP156.7 million for FY2017, representing an increase of approximately MOP50.8 million or approximately 48.0%. Such increase is generally in line with our increase in revenue. The increase of our cost of sales was mainly attributable to (i) the increase in our cost of materials of approximately MOP21.2 million, or 56.8%, from approximately MOP37.4 million for FY2016 to approximately MOP58.6 million for FY2017 which was mainly due to increase in cost of materials incurred for Project P2, Project P3 and Project P5 which had a relatively greater portion of work performed during FY2017 as compared to FY2016; (ii) the increase in our subcontracting costs of approximately MOP27.3 million, or 42.7%, from approximately MOP63.9 million for FY2016 to approximately MOP91.1 million for FY2017 which was mainly due to increase in our subcontracting costs incurred for Project P1, Project P2 and Project P3 which had a greater portion of work performed during FY2017 and resulted in a larger volume of work subcontracted to our subcontractors.

Comparison of cost of sales for FY2017 and FY2018

Our cost of sales decreased from approximately MOP156.7 million for FY2017 to approximately MOP128.9 million for FY2018, representing a decrease of approximately

MOP27.8 million or approximately 17.8%. Such decrease was generally in line with our decrease in revenue. The decrease of our cost of sales was mainly attributable to (i) the decrease in our cost of materials of approximately MOP10.7 million, or 18.3%, from approximately MOP58.6 million for FY2017 to approximately MOP47.9 million for FY2018 which was mainly due to decrease in cost of materials incurred for Project P2 and Project P5 which had a relatively lower portion of work performed during FY2018 as compared to FY2017; and (ii) the decrease in our subcontracting costs of approximately MOP18.9 million, or 20.8%, from approximately MOP91.1 million for FY2017 to approximately MOP72.2 million for FY2018 which was mainly due to the decrease in our subcontracting costs incurred for Project P1 and Project P2 which had a relatively lower portion of work performed during FY2018 and resulted in a lower volume of work subcontracted to our subcontractors.

Comparison of cost of sales for 7M2018 and 7M2019

Our cost of sales decreased from approximately MOP87.3 million for 7M2018 to approximately MOP78.0 million for 7M2019, representing a decrease of approximately MOP9.2 million or approximately 10.6%. The decrease of our cost of sales was mainly attributable to (i) the decrease in our cost of materials of approximately MOP28.1 million, or 68.3%, from approximately MOP41.2 million for 7M2018 to approximately MOP13.1 million for 7M2019 which was mainly due to decrease in our cost of materials incurred for Project P2, Project P3, Project P6 and Project P7 which had a relatively lower portion of work performed during 7M2019 as compared to 7M2018.

Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin during the Track Record Period:

	FY2016		**FY2017**		**FY2018**		**7M2018**		**7M2019**	
	MOP'000	*%*	*MOP'000*	*%*	*MOP'000*	*%*	*MOP'000* (unaudited)	*%*	*MOP'000*	*%*
Gross profit and gross profit margin	33,791	24.2	51,200	24.6	56,341	30.4	31,386	26.5	32,020	29.1

Our gross profit amounted to approximately MOP33.8 million, MOP51.2 million, MOP56.3 million, MOP31.4 million and MOP32.0 million for FY2016, FY2017, FY2018, 7M2018 and 7M2019, respectively, whereas the gross profit margin was 24.2%, 24.6%, 30.4%, 26.5% and 29.1% for the respective years/periods.

The gross profit margin for the provision of E&M engineering works are primarily affected by the contract sum we charge for our E&M engineering works, our subcontracting costs, and purchase of materials for providing such works. We generally adopt a cost estimate plus mark-up

pricing model for our E&M engineering projects. The mark-up is determined based on the size of the projects thereof and the nature and complexity of E&M engineering works.

Comparison of gross profit and gross profit margin for FY2016 and FY2017

Our gross profit increased by approximately MOP17.4 million or 51.5% from approximately MOP33.8 million for FY2016 to approximately MOP51.2 million for FY2017. Such increase was mainly due to the increase in gross profit recorded of approximately MOP21.4 million from Project P1, Project P2 and Project P3, which had approximately MOP41.7 million of gross profit recorded in aggregate during FY2017 and only approximately MOP20.3 million of gross profit recorded in aggregate during FY2016 as a greater portion of these projects were completed during FY2017. Such increase was mainly offset by the decrease in gross profit recorded of approximately MOP4.7 million from Project P4, which had approximately MOP5.2 million of gross profit recorded during FY2016 and approximately MOP0.5 million of gross profit recorded during FY2017 as a greater portion of such project was completed during FY2016.

The gross profit margin for our provision of E&M engineering works remained relatively stable at 24.2% for FY2016 and 24.6% for FY2017.

Comparison of gross profit and gross profit margin for FY2017 and FY2018

Our gross profit increased by approximately MOP5.1 million or 10.0% from approximately MOP51.2 million for FY2017 to approximately MOP56.3 million for FY2018. Such increase was mainly due to the increase in gross profit recorded of approximately MOP23.2 million from Project P3, Project P6 and Project P7, which had approximately MOP35.5 million of gross profit recorded in aggregate during FY2018 and only approximately MOP12.3 million of gross profit recorded in aggregate during FY2017 as a greater portion of these projects were completed during FY2018. Such increase was mainly offset by the decrease in gross profit recorded of approximately MOP18.5 million from Project P1, Project P2 and Project P5, which had approximately MOP31.7 million of gross profit recorded in aggregate during FY2017 and approximately MOP13.2 million of gross profit recorded in aggregate during FY2018 as a greater portion of such projects were completed during FY2017.

The gross profit margin for our provision of E&M engineering works increased from 24.6% for FY2017 to 30.4% for FY2018. The increase was mainly attributable to Project P3 and Project P6 which contributed a relatively large portion of our gross profit and had a relatively higher gross profit margin as compared to the general gross profit margin of other projects. A relatively high gross profit margin was recorded for (i) Project P3 which contributed approximately MOP17.1 million of our gross profit for FY2018 and had a gross profit margin of approximately 40.0%. The relatively higher gross profit margin for such project was mainly due to the variation works which were negotiated and agreed with Customer B, in which approximately MOP16.2 million and MOP13.9 million of variation works were negotiated and agreed with Customer B in addition to the original contract sum of approximately MOP75.4 million for Project P3 during FY2017 and FY2018, as a result of the alteration of the

construction plan of the project after the temporary suspension of the Project as ordered by the main contractor; and (ii) Project P6 which contributed approximately MOP14.8 million of our gross profit for FY2018 and had a gross profit margin of approximately 35.6%. The relatively higher gross profit margin for such project was mainly due to our successful negotiation with our customers for a relatively higher profit margin in view of the short completion time required by Customer C as compare to projects with similar project scale and technical complexity, where over approximately 90% of such project were completed during the nine months in FY2018 following the commencement of the project in March 2018.

Comparison of gross profit and gross profit margin for 7M2018 and 7M2019

Our gross profit remained stable of approximately MOP31.4 million for 7M2018 and approximately MOP32.0 million for 7M2019. The gross profit margin for our provision of E&M engineering works increased from approximately 26.5% for 7M2018 to approximately 29.1% for 7M2019. The increase was mainly attributable to the relatively higher gross profit margin recorded for (i) supply installation and maintenance projects which was higher than that of supply and installation projects and maintenance projects which was mainly driven by Project P1 which contributed approximately MOP4.8 million of our gross profit for 7M2019 and were at their latter stage and approaching practical completion, of which the cost in engaging for subcontracting works was relatively lower and therefore a relatively higher gross profit margin is recorded for such project; and (ii) Project P3 which contributed approximately MOP5.6 million of our gross profit for 7M2019 which was due to the variation work agreed with Customer B during mid 2018 as mentioned above where the gross profit from such variation works had a relatively greater contribution to the gross profit for 7M2019 as compared to 7M2018.

Other income

Our other income and other gains primarily consist of interest income.

The following table sets forth the breakdown of other income during the Track Record Period:

	FY2016		**FY2017**		**FY2018**		**7M2018**		**7M2019**	
	MOP'000	*%*	*MOP'000*	*%*	*MOP'000*	*%*	*MOP'000*	*%*	*MOP'000*	*%*
			(unaudited)				(unaudited)			
Interest income	71	34.5	69	69.0	123	100.0	14	100.0	34	89.5
Others	135	65.5	31	31.0	–	–	–	–	4	10.5
	206	100.0	100	100.0	123	100.0	14	100.0	38	100.0

Our other income amounted to approximately MOP206,000, MOP100,000, MOP123,000, MOP14,000 and MOP38,000 for FY2016, FY2017, FY2018, 7M2018 and 7M2019, respectively.

Administrative expenses

Our administrative expenses primarily consist of (i) staff costs which mainly represents salaries, wages and bonus payable to our staffs, including our Directors; (ii) depreciation which mainly represents the depreciation expenses for property, plant and equipment; (iii) management fee which mainly represents building management fee; (iv) insurance which mainly represents our insurance expenses for public liability insurance to protect our office in Macau and employees' compensation insurance for our Directors and employees working in our offices and warehouses; (v) bank charges and (vi) legal and professional fees.

The following table sets forth the breakdown of administrative expenses during the Track Record Period:

	FY2016		FY2017		FY2018		7M2018		7M2019	
	MOP'000	*%*	*MOP'000*	*%*	*MOP'000*	*%*	*MOP'000* (unaudited)	*%*	*MOP'000*	*%*
Staff costs	2,601	57.0	3,547	60.0	3,912	62.4	1,848	58.3	3,892	66.8
Depreciation	975	21.4	1,572	26.6	1,530	24.4	770	24.3	1,142	19.6
Insurance	223	4.9	269	4.6	261	4.2	248	7.8	294	5.0
Management fee	206	4.5	–	–	–	–	–	–	–	–
Bank charges	104	2.3	173	2.9	260	4.1	185	5.8	237	4.1
Legal and professional fees	118	2.6	93	1.6	178	2.8	50	1.6	67	1.1
Others	334	7.3	255	4.3	134	2.1	68	2.2	197	3.4
	4,561	100.0	5,909	100.0	6,275	100.0	3,169	100.0	5,829	100.0

Note:

1. Others mainly represent short-term lease payments, building management fee, telephone and postage expenses, printing and stationery expenses and utilities expenses.

Our administrative expense amounted to approximately MOP4.6 million, MOP5.9 million, MOP6.3 million, MOP3.2 million and MOP5.8 million for FY2016, FY2017, FY2018, 7M2018 and 7M2019, respectively.

Comparison of administrative expenses for FY2016 and FY2017

Our administrative expense increased by approximately MOP1.3 million or 29.6% from approximately MOP4.6 million for FY2016 to approximately MOP5.9 million for FY2017. Such increase was mainly due to (i) the increase in our total staff costs of approximately MOP0.9 million which was mainly due to salary increment during FY2017; and (ii) the increase in depreciation of approximately MOP0.6 million.

Comparison of administrative expenses for FY2017 and FY2018

Our administrative expense remained stable at approximately MOP5.9 million for FY2017 and approximately MOP6.3 million for FY2018.

Comparison of administrative expenses for 7M2018 and 7M2019

Our administrative expense increased by approximately MOP2.7 million or 83.9% from approximately MOP3.2 million for 7M2018 to approximately MOP5.8 million for 7M2019. Such increase was mainly due to (i) the increase in our total staff costs of approximately MOP2.0 million which was mainly due to the discretionary bonus for our staff; and (ii) the increase in our depreciation expenses which was mainly driven by the increase in our right-of-use assets for buildings.

Interest on lease liabilities

Our interest on lease liabilities consist of interest expenses on lease liabilities. Our interest on lease liabilities amounted to approximately MOP83,000, MOP75,000, MOP36,000, MOP27,000 and MOP51,000 for FY2016, FY2017, FY2018, 7M2018 and 7M2019, respectively.

[REDACTED]

Our estimated **[REDACTED]** primarily consist of **[REDACTED]** in addition to professional fees paid to the Sponsor, legal advisers, the reporting accountant and other professional parties for their services rendered in relation to the **[REDACTED]**. Assuming the **[REDACTED]** is not exercised and assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of our indicative price range for the **[REDACTED]** stated in the document, the total **[REDACTED]** will be approximately MOP**[REDACTED]**, of which approximately MOP**[REDACTED]** is directly attributable to the **[REDACTED]** and will be accounted for as a deduction from our equity upon **[REDACTED]** and the amount of approximately MOP**[REDACTED]** was charged to our Company's profit or loss, of which approximately MOP**[REDACTED]**, MOP**[REDACTED]**, MOP**[REDACTED]** and MOP**[REDACTED]** were charged to our Company's profit or loss for FY2016, FY2017, FY2018 and 7M2019, respectively and approximately MOP**[REDACTED]**, will be charged to profit or loss of our Company for the five months ended 31 December 2019 and FY2020. The estimated **[REDACTED]** are subject to adjustments based on the actual amount incurred or to be incurred.

Taxation

Our Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of our Group are domiciled and operated.

Cayman Islands/BVI profits tax

The entities of our Group established in the Cayman Islands and the BVI are exempted from income tax.

Hong Kong profits tax

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Track Record Period. On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision of Hong Kong Profits Tax was made as the subsidiaries in Hong Kong has no assessable income during the Track Record Period.

Macau complementary tax

Macau Complementary Tax is calculated at a rate of 12% on the estimated assessable profit exceeding MOP0.6 million for the Track Record Period.

During our Track Record Period, all of our Group's revenue was derived from Macau. Therefore, we are subject to Macau complementary tax.

Our income tax expense amounted to approximately MOP3.8 million, MOP6.0 million, MOP6.9 million, MOP3.7 million and MOP3.7 million for FY2016, FY2017, FY2018, 7M2018 and 7M2019, respectively.

Our effective tax rate, calculated as income tax expense divided by profit before taxation for FY2016, FY2017, FY2018, 7M2018 and 7M2019, was approximately 16.3%, 13.4%, 14.3%, 13.8% and 33.4%, respectively.

Our income tax expenses increased by approximately MOP2.2 million or 59.7% from approximately MOP3.8 million for FY2016 to approximately MOP6.0 million for FY2017. Such increase was mainly due to our increase in profit before taxation. Our effective tax rate for FY2016 and FY2017 was approximately 16.3% and 13.4%, respectively, which was higher than the profit tax rate of 12% in Macau as a result of the non tax deductible expenses incurred during FY2016 and FY2017.

Our income tax expenses increased by approximately MOP0.9 million or 15.3% from approximately MOP6.0 million for FY2017 to approximately MOP6.9 million for FY2018. Such increase was mainly due to our increase in profit before taxation. Our effective tax rate for

FY2018 was 14.3% which was higher than the profit tax rate of 12% in Macau as a result of the non tax deductible expenses incurred during FY2018.

Our income tax expenses remained stable at approximately MOP3.7 million for 7M2018 and 7M2019. Our effective tax rate for 7M2018 and 7M2019 was approximately 13.8% and 33.4%, respectively, which was higher than the profit tax rate of 12% in Macau as a result of the non tax deductible expenses incurred during 7M2018 and 7M2019. The significant increase in our effective tax rate from approximately 13.8% for 7M2018 to approximately 33.4% for 7M2019 was mainly due to the increase in our **[REDACTED]** in 7M2019 which are non tax deductible expenses.

Profit and total comprehensive income for the year and net profit margin

Our profit and total comprehensive income for the year amounted to approximately MOP19.3 million, MOP38.9 million, MOP41.5 million, MOP23.1 million and MOP7.3 million for FY2016, FY2017, FY2018, 7M2018 and 7M2019, respectively, representing a net profit margin of approximately 13.8%, 18.7%, 22.4%, 19.5% and 6.6%, respectively.

Our Group's profit and total comprehensive income for the year increased by approximately MOP19.6 million or 102.0% from approximately MOP19.3 million for FY2016 to approximately MOP38.9 million for FY2017, which was mainly attributable to the combined effect of (i) the increase in revenue generated for the reasons as discussed previously in this section; and (ii) the decrease in our **[REDACTED]**. Our net profit margin increased from approximately 13.8% for FY2016 to approximately 18.7% for FY2017. Such increase was mainly attributable to the decrease in **[REDACTED]** recorded for FY2017. Excluding the **[REDACTED]**, our net profit margin for FY2016 and FY2017 were approximately 18.3% for FY2016 and 18.9% for FY2017.

Our Group's profit and total comprehensive income for the year increased by approximately MOP2.6 million or 6.7% from approximately MOP38.9 million for FY2017 to approximately MOP41.5 million for FY2018, which was mainly attributable to the increase in gross profit generated for the reasons as discussed previously in this section. Our net profit margin increased from approximately 18.7% for FY2017 to approximately 22.4% for FY2018. Such increment was mainly attributable to the increase in our gross profit margin for the reasons as discussed previously in this section.

Our Group's profit and total comprehensive income for the year decreased by approximately MOP15.8 million or 68.4% from approximately MOP23.1 million for 7M2018 to approximately MOP7.3 million for 7M2019, which was mainly attributable to (i) the increase in our **[REDACTED]**; and (ii) the increase in administrative expenses for the reasons as discussed previously in this section. Our net profit margin decreased from approximately 19.5% for 7M2018 to approximately 6.6% for 7M2019. Such decrement was mainly the increment in our **[REDACTED]** recorded for 7M2019. Excluding the **[REDACTED]**, our net profit margin for 7M2018 and 7M2019 were approximately 20.7% for 7M2018 and 20.3% for 7M2019.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

The following table sets forth a selected summary of our consolidated statements of cash flows for the years/periods indicated:

	FY2016	FY2017	FY2018	7M2018	7M2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* (unaudited)	*MOP'000*
Operating cash flow before movements in working capital	24,009	46,487	49,856	27,597	12,352
Net cash from/(used in) operating activities	25,115	28,838	18,996	(7,300)	6,578
Net cash used in investing activities	(6,491)	(4,082)	(21,451)	(729)	(67)
Net cash from/(used in) financing activities	1,384	(3,173)	(15,658)	(1,499)	(4,932)
Net increase/(decrease) in cash and cash equivalents	20,008	21,583	(18,113)	(9,528)	1,579
Cash and cash equivalents at beginning of the year/period	3,473	23,481	45,064	45,064	26,951
Cash and cash equivalents at end of the year/period	23,481	45,064	26,951	35,536	28,530

Net cash from/(used in) operating activities

During the Track Record Period, our net cash from/(used in) operating activities mainly represented our profit before taxation, being adjusted for depreciation, interest expenses and income, the effects of changes in working capital and income tax paid.

For FY2016, we had net cash from operating activities of approximately MOP25.1 million, primarily as a result of profit before taxation of approximately MOP23.0 million, and primarily combined with the following factors: positively adjusted by the increase in trade and other payables of approximately MOP32.3 million mainly due to the increase in trade payables balances; and negatively adjusted by (i) the increase in trade and other receivables of approximately MOP24.1 million mainly due to the increase in trade receivables balances; (ii) the increase in net contract assets/liabilities of approximately MOP5.0 million which is mainly due to the increase in contract assets during FY2016 for the E&M engineering works performed by

us towards the year end which are not yet invoiced by us since we have yet to submit our payment application for the work performed and/or yet to be certified by our customers for the work performed; and (iii) income tax paid of approximately MOP2.1 million.

For FY2017, we had net cash from operating activities of approximately MOP28.8 million, primarily as a result of profit before taxation of approximately MOP44.9 million, and primarily combined with the following factors: positively adjusted by the decrease in trade and other receivables of approximately MOP25.5 million mainly due to the net effect of the (i) decrease in our trade receivable balances due to the settlement of the payment receivables from Customer A1 for Project P1, Customer A2 for certain projects, Customer C for certain projects and Customer D for certain projects; and the increase in our other receivables balances due to the increase in our prepayment made to Supplier B; and negatively adjusted by (i) the increase in net contract assets/liabilities of approximately MOP16.1 million which is mainly due to the increase in our contract assets driven by the increase in E&M engineering works performed by us during FY2017 mainly attributable from Project P2 and Project P3 were relatively greater amount of variation orders are performed for such projects which delayed the billing and settlement as more time was needed for calculation and inspection by the customer and the increase in our retention money which is mainly attributable to Project P2; and (ii) decrease in trade and other payables of approximately MOP25.9 million mainly due to settlement of trade payables balances of Ready Electrical Metal, Supplier F and Customer C.

For FY2018, we had net cash from operating activities of approximately MOP19.0 million, primarily as a result of profit before taxation of approximately MOP48.4 million, and primarily combined with the following factors: negatively adjusted by (i) the increase in trade and other receivables of approximately MOP23.2 million which is mainly due to increase in trade receivables balances from Customer A2 for Project P2 in which a relatively large amount was billed to the customer in November 2018 and December 2018 and Project P12 and Customer C for Project P6 and Project P11; and (ii) income tax paid of approximately MOP7.4 million.

For 7M2018, we had net cash used in operating activities of approximately MOP7.3 million, primarily as a result of profit before taxation of approximately MOP26.8 million, and primarily combined with the following factors: negatively adjusted by (i) the increase in trade and other receivables of approximately MOP30.3 million which is mainly due to Customer A2 for Project P2 where a relatively large amount was billed to our customer in March 2018; and (ii) increase in net contract assets/liabilities of approximately MOP5.7 million mainly driven by the increase in E&M engineering works performed by us during 7M2018 for Project P3 and Project P6. The negative operating cash flows for the 7M2018 was mainly due to the increase in trade and other receivables and increase in net contract assets/liabilities for the reasons as mentioned above. For further details of the fluctuations, please refer to the section headed "Financial Information – Analysis on various items in the consolidated statements of financial position" in the document.

For 7M2019, we had net cash from operating activities of approximately MOP6.6 million, primarily as a result of profit before taxation of approximately MOP11.0 million, and primarily combined with the following factors: positively adjusted by the increase in trade and other

payables of approximately MOP11.2 million mainly due to the increase in payable balances of Subcontractor C, Subcontractor G and Subcontractor H; and negatively adjusted by the increase in net contract assets/liabilities of approximately MOP17.8 million which is mainly driven by the increase in E&M engineering works, performed by us during 7M2019 for Project P9 and Project P13.

Net cash used in investing activities

During the Track Record Period, our investing activities primarily related to our time deposits, pledged bank deposits and amounts due from related companies and Directors.

Net cash used in investing activities was approximately MOP6.5 million for FY2016, which was mainly due to the placements of time deposit of approximately MOP20.0 million and mainly offset by the repayment from related companies from approximately MOP13.6 million.

Net cash used in investing activities was approximately MOP4.1 million for FY2017, which was mainly due to (i) the advance to related companies of approximately MOP2.2 million; (ii) the placement of pledged bank deposits of approximately MOP19.4 million which are pledged to secure the performance bonds granted to the Group; and (iii) the placement of time deposit of approximately MOP7.0 million; and negatively adjusted by (i) the repayment from related companies of approximately MOP5.4 million; and (ii) the withdrawal of time deposit of approximately MOP20.0 million.

Net cash used in investing activities was approximately MOP21.5 million for FY2018, which was mainly due to (i) the purchase of property, plant and equipment of approximately MOP14.6 million which is mainly attributable to the purchase of our building during FY2018; (ii) the placement of pledged bank deposits of approximately MOP6.5 million which are pledged to secure the performance bonds granted to the Group and (iii) the placement of time deposit of approximately MOP7.4 million; and negatively adjusted by the withdrawal of time deposit of approximately MOP7.0 million.

Net cash used in investing activities was approximately MOP0.7 million for 7M2018, which was mainly due to the placement of time deposit of approximately MOP7.4 million; and negatively adjusted by the withdrawal of time deposit of approximately MOP7.0 million.

Net cash used in investing activities was approximately MOP67,000 for 7M2019, which was mainly due to (i) the placement of time deposit of approximately MOP7.0 million and negatively adjusted by the withdrawal of time deposit of approximately MOP7.4 million.

Net cash from/(used in) financing activities

During the Track Record Period, our financing activities primarily related to our amount due to related companies, issue of shares and repurchase of shares.

Net cash from financing activities was approximately MOP1.4 million for FY2016, which was mainly due to issue of shares of approximately MOP10.3 million which represents the 3,250,000 shares issued to Convoy Collateral Limited and 1,750,000 shares issued to DRL Capital (both are Independent Third Parties) on 8 January 2016. For further details, please refer to the section headed "History, Reorganisation and Group Structure" in the document; and partially offset by (i) the repayment to related companies of approximately MOP8.0 million; and (ii) repayment of principal on lease liabilities of approximately MOP0.9 million.

Net cash used in financing activities was approximately MOP3.2 million for FY2017, which was mainly due to (i) the repayment of principal on lease liabilities of approximately MOP1.5 million; and (ii) repayment to related companies of approximately MOP1.8 million.

Net cash used in financing activities was approximately MOP15.7 million for FY2018, which was mainly due to (i) the repurchase of shares of approximately MOP13.9 million which represents the 3,250,000 shares repurchased from Convoy Collateral Limited and 1,750,000 shares repurchased from DRL Capital (both are Independent Third Parties) on 24 December 2018. For further details, please refer to the section headed "History, Reorganisation and Group Structure" in the document; and (ii) repayment of principal on lease liabilities of approximately MOP1.4 million.

Net cash used in financing activities was approximately MOP1.5 million for 7M2018, which was mainly due to the repayment of principal on lease liabilities of approximately MOP0.8 million.

Net cash used in financing activities was approximately MOP4.9 million for 7M2019, which was mainly due to the deferred issue costs paid of approximately MOP3.5 million.

NET CURRENT ASSETS

The following table sets forth the current assets and current liabilities as of the dates indicated:

	As at 31 December			As at 31 July	As at 30 November
	2016	2017	2018	2019	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000* (unaudited)
Current assets					
Trade and other receivables	40,293	19,429	42,607	46,099	38,323
Contract assets	24,373	39,453	50,964	55,755	62,709
Amount due from a director	90	1,013	1,012	1,023	1,023
Amount due from immediate holding company	473	483	586	586	586
Amounts due from related companies	8,017	213	213	–	–
Pledged bank deposits	–	–	29,021	29,366	34,081
Time deposit	20,000	7,000	7,371	7,041	7,055
Bank balances and cash	23,481	45,064	26,951	28,530	38,571
	116,727	112,655	158,725	168,400	182,348
Current liabilities					
Trade and other payables	45,115	19,242	17,401	29,550	40,078
Contract liabilities	2,485	1,505	14,539	1,574	3,881
Lease liabilities	819	802	672	955	1,190
Amounts due to directors	209	386	360	–	9
Amounts due to related companies	2,270	460	164	–	–
Taxation payable	5,428	10,260	9,823	13,486	6,932
	56,326	32,655	42,959	45,565	52,090
Net current assets	60,401	80,000	115,766	122,835	130,258

Our Group's current assets mainly consisted of (i) trade and other receivables; (ii) contract assets; (iii) amounts due from related companies; (iv) pledged bank deposits; (v) time deposit; and (vi) bank balances and cash. Our Group's current liabilities mainly consisted of (i) trade and other payables; (ii) contract liabilities; (iii) amounts due to related companies; and (iv) taxation payable. Our net current assets, being the difference between total current assets and total current liabilities remained positive during the Track Record Period.

Our net current assets increased by approximately MOP19.6 million or 32.4% from approximately MOP60.4 million as at 31 December 2016 to approximately MOP80.0 million as at 31 December 2017. The increase was mainly due to the (i) increase of contract assets of approximately MOP15.1 million which is mainly due to the increase in E&M engineering works performed by us during FY2017 which is inline with the increase in our revenue during FY2017 and mainly attributable from the increase in contract assets for our works performed from Project P2 and Project P3 were relatively greater amount of variation orders are performed for such projects which delayed the billing and settlement as more time was needed for calculation and inspection by the customer and the increase in our retention money which is mainly attributable to Project P2; (ii) increase in bank balances and cash of approximately MOP21.6 million which is mainly due to the increase of net cash from operating activities as detailed in the paragraph headed "Liquidity and capital resources – Cash Flows – Net cash from/(used in) operating activities" in this section; and (iii) decrease in trade and other payables of approximately MOP25.9 million mainly due to settlement of trade payables balances of Ready Electrical Metal, Supplier F and Customer C, which was partially offset by the (i) decrease of trade receivables of approximately MOP29.8 million which is mainly due to the settlement of the payment receivables from Customer A1 for Project P1, Customer A2 for certain projects, Customer C for certain projects and Customer D for certain projects; and (ii) increase in taxation payable of approximately MOP4.8 million due to the profitability of our operations.

Our net current assets increased by approximately MOP35.8 million or 44.7% from approximately MOP80.0 million as at 31 December 2017 to approximately MOP115.8 million as at 31 December 2018. The increase was mainly due to the (i) increase of trade receivables of approximately MOP27.0 million which is mainly due to the increase in receivables balances from Customer A2 for Project P2 in which a relatively large amount was billed to the customer in November 2018 and December 2018 and Project P12 and Customer C for Project P6 and Project P11; (ii) increase in contract assets of approximately MOP11.5 million which is mainly due to the increase in contract assets from the performing of E&M engineering works for Project P1, Project P3 and Project P9; and (iii) increase in pledged bank deposits of approximately MOP29.0 million which are pledged to secure the performance bonds granted to the Group, which was partially offset by the (i) decrease of bank balances and cash of approximately MOP18.1 million mainly due to the increase of net cash used in investing activities and financing activities as detailed in the paragraph headed "Liquidity and capital resources – Cash Flows – Net cash used in investing activities" and "Liquidity and capital resources – Cash Flows – Net cash from/(used in) financing activities" in this section; and (ii) increase of contract liabilities of approximately MOP13.0 million mainly due to the receipt in advance from Project P10, Project P11 and Project P12.

Our net current assets increased by approximately MOP7.0 million or 6.1% from approximately MOP115.8 million as at 31 December 2018 to approximately MOP122.8 million as at 31 July 2019. The increase was mainly due to the (i) increase in contract assets of approximately MOP4.8 million mainly due to the increase in contract assets which arises for our work performed from Project P9 and Project P13 and (ii) decrease in contract liabilities of approximately MOP13.0 million mainly due to the recognition of the contract liabilities to profit or loss during 7M2019, which was partially offset by the increase of trade and other payable of approximately MOP12.1 million mainly due to the increase in payable balances of Subcontractor C, Subcontractor G and Subcontractor H.

Our net current assets increased by approximately MOP7.4 million or 6.0% from approximately MOP122.8 million as at 31 July 2019 to approximately MOP130.3 million as at 30 November 2019. The increase was mainly due to the (i) increase in contract assets of approximately MOP7.0 million which is mainly due to the increase in contract assets arises for our work performed from Project P13; and (ii) decrease in trade and other receivables of approximately MOP7.8 million which is due to the decrease in trade receivable balances of Customer A2, which was offset by the increase in trade and other payable of approximately MOP10.5 million which is mainly due to the increase in payable balances mainly due to our purchases made for Project P13.

ANALYSIS OF VARIOUS ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

During the Track Record Period, our property, plant and equipment mainly consisted of buildings, right-of-use assets for buildings, leasehold improvements, furniture and fixtures, office equipment, and motor vehicles. Our property, plant and equipment amounted to approximately MOP1.1 million, MOP1.0 million, MOP15.4 million and MOP16.1 million as at 31 December 2016, 2017 and 2018 and 31 July 2019, respectively.

Our Group's carrying amount of property, plant and equipment remained stable at approximately MOP1.1 million as at 31 December 2016 and MOP1.0 million as at 31 December 2017. Our Group's carrying amount of property, plant and equipment increased from approximately MOP1.0 million as at 31 December 2017 to approximately MOP15.4 million as at 31 December 2018. The increment was mainly attributable to the addition of buildings during FY2018. Our Group's carrying amount of property, plant and equipment increased from approximately MOP15.4 million as at 31 December 2018 to approximately MOP16.1 million as at 31 July 2019. The increment was mainly attributable to the addition of right-of-use assets for buildings during 7M2019.

Trade and other receivables

During the Track Record Period, our trade and other receivables mainly consist of (i) our trade receivables which represents our payment receivables from our Group's customers for the certified work performed by us and billings raised to our customers but not yet settled; and (ii) our other receivables mainly consist of our deposit for a construction contractor and deposits and prepayments.

The following table sets forth the breakdown of our trade and other receivables as of the dates indicated:

	As at 31 December			As at 31 July
	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Trade receivables	39,408	9,640	36,655	38,416
Less: Allowance for credit loss	–	–	–	(216)
	39,408	9,640	36,655	38,200
Deposit for a construction contract	–	–	4,800	2,400
Deposits and prepayments	331	4,637	484	424
Deferred issue costs	554	554	554	5,010
Other receivables	–	4,598	114	65
	40,293	19,429	42,607	46,099

Trade receivables

Our trade receivables represents the payment receivables from our Group's customers for the certified work performed by us and billings raised to our customers but not yet settled. During the Track Record Period, our trade receivables amounted to approximately MOP39.4 million, MOP9.6 million, MOP36.7 million and MOP38.2 million as at 31 December 2016, 2017 and 2018 and 31 July 2019, respectively.

Our trade receivables decreased from approximately MOP39.4 million as at 31 December 2016 to approximately MOP9.6 million as at 31 December 2017. Such decrease was mainly attributable to the settlement of the payment receivables from Customer A1 for Project P1, Customer A2 for certain projects, Customer C for certain projects and Customer D for certain project. Our trade receivables increased from approximately MOP9.6 million as at 31 December 2017 to approximately MOP36.7 million as at 31 December 2018. Such increase was mainly due to increase in trade receivables from Customer A2 for Project P2 and Project P12 and Customer C for Project P6 and Project P11. Our trade receivables increased from approximately MOP36.7

million as at 31 December 2018 to approximately MOP38.2 million as at 31 July 2019. Such increase was mainly due to increase in trade receivables from Customer A1 for Project P1.

Our Group's trading terms with customers are mainly on credit. The credit period for the customers of provision of E&M engineering works is normally 30 to 60 days. Our Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. Our Group does not hold any collateral or other credit enhancements over its trade receivables balance. All trade receivables are non-interest-bearing.

The following table sets forth our aging analysis of the trade receivables based on the invoice date as of the dates indicated:

	As at 31 December			As at 31 July
	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Within 30 days	10,061	4,640	18,691	24,128
31 to 60 days	22,081	1,185	9,241	9,330
61 to 90 days	2,142	317	5,105	1,304
Over 90 days	5,124	3,498	3,618	3,438
	39,408	9,640	36,655	38,200

The following table sets forth our aging analysis of the trade receivables which are past due but not impaired as of the dates indicated:

	As at 31 December			As at 31 July
	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Past due:				
Within 30 days	1,214	516	3,882	7,452
31 to 60 days	1,790	–	5,097	1,304
61 to 90 days	–	–	1,679	2,509
Over 90 days	5,124	3,498	1,939	929
	8,128	4,014	12,597	12,194

Trade receivables of approximately MOP8.1 million, MOP4.0 million, MOP12.6 million and MOP12.2 million were past due but not impaired as at 31 December 2016, 2017 and 2018 and 31 July 2019, respectively. The aforesaid trade receivables are related to customers who have no significant financial difficulty.

Before the application of HKFRS 9 on 1 January 2018, our Group has a policy regarding impairment losses on trade receivables which is based on our evaluation of collectability and aging analysis of accounts and on management's judgement including the current creditworthiness and the past collection history of each customer.

Our Group had not provided for impairment loss as at 31 December 2016 and 31 December 2017 before the initial application of HKFRS 9 on 1 January 2018 as we considered such balances could be recovered based on historical experience or have been subsequently settled.

Since 1 January 2018, our Group applies the simplified approach to provide for expected credit losses ("**ECL**") on all trade receivables prescribed by HKFRS 9. To measure the ECL of trade receivables, trade receivables have been assessed individually. The allowance for credit losses of the trade receivables as at 31 December 2018 and 31 July 2019 were nil and approximately MOP0.2 million, respectively.

Before accepting any new customer, our Group assesses the potential customer's credit quality and defines credit limits by customer. In determining the recoverability of trade receivables, we consider any change in the credit quality of the customers from the date credit was initially granted up to the end of each of the reporting period. The majority of our trade receivables that are past due but not impaired are from customers with good credit quality with reference to respective settlement history and forward-looking information and our Group considers any change in the expected life of the trade receivables at the end of each reporting period. Our Group does not hold any collateral over these balances.

Out of our trade receivables of approximately MOP38.2 million as at 31 July 2019, MOP38.0 million, or 99.4% of our trade receivables, was subsequently settled up to the Latest Practicable Date.

The following table sets forth our subsequent settlement (by age group) of our Group's trade receivables as at 31 July 2019:

	As at 31 July 2019 *MOP'000*	Subsequent settlement up to the Latest Practicable Date *MOP'000*
Within 30 days	24,128	23,976
31 to 60 days	9,330	9,291
61 to 90 days	1,304	1,304
Over 90 days	3,438	3,398
	38,200	37,969

The following table sets forth our average turnover days of trade receivables during the Track Record Period:

	FY2016	FY2017	FY2018	7M2019
Trade receivables turnover days *(Note)*	72	43	46	72
Trade receivable turnover days (comprising of contract assets which include retention receivables	126	99	135	175

Note:

1. The trade receivables turnover days for a year/period is the average trade receivables net of allowance for impairment as of the relevant days divided by revenue for that year/period and multiplied by number of days for the corresponding year/period.

2. For illustration purpose, trade receivable turnover days (comprising of contract assets which include retention receivables) are calculated by dividing the sum of average trade receivables and contract assets (as per note 18 of Appendix I to the document) by revenue for the relevant year, and multiplying the resulting value by 365 days for FY2016, FY2017, FY2018 and 7M2019. Average trade receivables and contract assets (as per note 17 of Appendix I to the document) equal to the sum of trade receivables and contract assets (as per note 17 of Appendix I to the document) at the beginning of the year plus trade receivables and contract assets (as per note 17 of Appendix I to the document) at the end of the year, and divided by two.

Our trade receivables turnover days were approximately 72 days, 43 days, 46 days and 72 days for FY2016, FY2017, FY2018 and 7M2019, respectively. Our Directors believe that our trade receivables turnover days are relatively long during the Track Record Period, which was mainly due to the fact that some of our major projects are from our major customers who are large-scale project contractors who may need to carry a long internal and formal approval process to settle our invoices. The decrease of trade receivables turnover days from approximately 72 days for FY2016 to approximately 43 days for FY2017 was mainly attributable to the relatively lower average trade receivable balances for FY2017 which was due to the significant decrease in the trade receivable balances as at 31 December 2017 as a result of the settlement of the trade receivable balances from Customer A1, Customer A2, Customer C and Customer D during FY2017. Our trade receivable turnover days remained stable at approximately 43 days and 46 days for FY2017 and FY2018, respectively. Our trade receivable turnover days increased from approximately 46 days for FY2018 to 72 days for 7M2019. The aforementioned increment in our trade receivable turnover days was mainly due to the increase in our average trade receivable balances for 7M2019 which is due to the increase in trade receivables as at 31 July 2019 from Customer A1 which was driven by the substantial portion of work completed towards the period end for Project P1 of Customer A1. Based on the past repayment history of our customer and our business relationships with the respective customers, our Directors believe that all of our trade receivables balances are still recoverable.

Trade receivable turnover days (comprising of contract assets which include retention receivables) indicate the average time required for us to collect payments from our customers and to receive our retention money from cost occurrence. Our average trade receivable turnover days (comprising of contract assets which include retention receivables) were approximately 126 days, 99 days, 135 days and 175 days for FY2016, FY2017, FY2018 and 7M2019, respectively. The decrease in our average trade receivable turnover days (comprising of contract assets which include retention receivables) from approximately 126 days for FY2016 to approximately 99 days for FY2017 was mainly due to the decrease in average trade receivable balances for FY2017 which was due to the decrease in the trade receivable balances as at 31 December 2017 as a result of the settlement of the trade receivable balances from Customer A1, Customer A2, Customer C and Customer D during FY2017. The increase in our average trade receivable turnover days (comprising of contract assets which include retention receivables) from approximately 99 days for FY2017 to approximately 135 days for FY2018 was mainly attributable to the increase in the average contract assets balances during FY2018 which was due to the increase in the contract assets balances as at 31 December 2018 as a result of the increase in contract assets which arises for our work performed from Project P1, Project P3 and Project P9. The increase in our average trade receivable turnover days (comprising of contract assets which include retention receivables) from approximately 135 days for FY2018 to approximately 175 days for 7M2019 was mainly due to the increase in average trade receivable balances for 7M2019 which was due to increase in our average trade receivable balances for 7M2019 which is due to the increase in trade receivables as at 31 July 2019 from Customer A1 which was driven by the substantial portion of work completed towards the period end for Project P1 of Customer A1 and the increase in the average contract assets balances during 7M2019 which was due to the increase in the contract assets balances as at 31 July 2019 as a result of the increase in contract assets which arises for our work performed from Project P9 and Project P13.

Other receivables

During the Track Record Period, our other receivables mainly represents our (i) deposits for a construction contract; and (ii) deposits and prepayments. As at 31 December 2016, 2017 and 2018 and 31 July 2019, our other receivables, deposits and prepayments amounted to approximately MOP0.9 million, MOP9.8 million, MOP6.0 million and MOP7.9 million respectively. The increase in other receivables from approximately MOP0.9 million as at 31 December 2016 to approximately MOP9.8 million as at 31 December 2017 was mainly attributable to the increase in our prepayment made to Supplier B of approximately MOP3.3 million and the increase in our other receivables balance from Ready System Engineering of approximately MOP4.6 million, which is non-trade in nature, unsecured, interest-free and repayable on demand. The other receivables balance from Ready System Engineering is fully settled during the 7M2019.

The decrease in other receivables from approximately MOP9.8 million as at 31 December 2017 to approximately MOP6.0 million as at 31 December 2018 was mainly attributable to the decrease in our prepayment made to Supplier B of approximately MOP3.3 million and the decrease in our other receivable balances from Ready System Engineering of approximately MOP4.6 million, which was partially offsetted by the increase in our deposit for a construction contract made to Customer C for Project P6.

The increase in other receivables from approximately MOP6.0 million as at 31 December 2018 to approximately MOP7.9 million as at 31 July 2019 was mainly attributable to the increase in our deferred issue costs of approximately MOP4.5 million which is netted off by the decrease of our deposit for a construction contract made to Customer C for Project P6 as a result of the release of our deposit for the aforementioned Project following the substantial completion for such project.

Contract assets and contract liabilities

	As at 1 January 2016	As at 31 December 2016	2017	2018	As at 31 July 2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Contract assets					
Provision of electrical and mechanical engineering services	22,451	24,373	39,453	50,964	55,755
Contract liabilities					
Provision of electrical and mechanical engineering services	5,578	2,485	1,505	14,539	1,574

During the Track Record Period, our contract assets, which are generated from the E&M engineering works, consist of the difference between our cumulative contract revenue recognised and the cumulative progress billings as at the end of the reporting period. As at 1 January 2016, 31 December 2016, 2017 and 2018 and 31 July 2019, our contract assets amounted to approximately MOP22.5 million, MOP24.4 million, MOP39.5 million, MOP51.0 million and MOP55.8 million, respectively.

As at the end of the reporting period, our contract assets is recognised based on the stage of completion, and relate to our right to consideration for work completed and not billed because such rights are conditional on quantity surveyors' inspection whereas our payment of progress billings is recorded based on the payment certificates obtained from our customers. Our contract assets are transferred to trade receivables when our rights to the consideration for our work completed become unconditional.

As at 31 December 2016, 2017 and 2018 and 31 July 2019, retention money of approximately MOP15.0 million, MOP19.3 million, MOP17.7 million and MOP18.2 million are included in our contract assets and contract liabilities.

The following table sets forth an aging analysis of retention money which is to be settled, based on the expiry of defect liability period, as of the dates indicated:

	As at 31 December			As at 31 July
	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Within one year	15,011	19,328	17,659	18,187

We normally agrees to a defect liability period of 1 year to 2 years from the date of the practical completion of the construction for 5% to 10% of the contract sum. This amount of retention money is included in contract assets until the end of the defect liability period as our entitlement to this final payment is conditional on completion of the defect liability period. The Group classifies these contract assets as current assets because we expect to realise them in our normal operating cycle. As at the Latest Practicable Date, retention money of approximately MOP75,000 recorded as at 31 July 2019 has been released to us.

The contract assets increase from approximately MOP24.4 million as at 31 December 2016 to approximately MOP39.5 million as at 31 December 2017 and further to approximately MOP51.0 million as at 31 December 2018 and approximately MOP55.8 million as at 31 July 2019.

The increase in contract assets of approximately MOP15.1 million or 61.9%, from approximately MOP24.4 million as at 31 December 2016 to approximately MOP39.5 million as at 31 December 2017, was mainly due to (i) the increase in the volume of E&M engineering works performed by us which was inline with the increase in our revenue recorded during FY2017; (ii) the increase in contract assets arises for our work performed from Project P2 and Project P3; and (iii) the increase in our retention money of approximately MOP4.3 million.

The increase in contract assets of approximately MOP11.5 million or 29.2%, from approximately MOP39.5 million as at 31 December 2017 to approximately MOP51.0 million as at 31 December 2018, was mainly due to the increase in contract assets arises for our work performed from Project P1, Project P3 and Project P9. Such increase was partially netted off by the decrease in our retention money of approximately MOP1.7 million.

The increase in contract assets of approximately MOP4.8 million or 9.4%, from approximately MOP51.0 million as at 31 December 2018 to approximately MOP55.8 million as at 31 July 2019, was mainly due to (i) the increase in contract assets arises for our work performed from Project P9 and Project P13; and (ii) the increase was partially netted off by the decrease in our retention money of approximately MOP0.5 million.

Our Directors believe that although we submitted payment applications to our customers every month in general, the increase in our contract assets during the Track Record Period is mainly a result of (i) the increase in the volume of E&M engineering works performed by us where we have 13,12,20 and 20 on-going projects as at 31 December 2016, 2017 and 2018 and 31 July 2019; and (ii) the relatively substantial amount of E&M engineering works performed by us towards the respective year end where the amount of works performed by us are yet to submit our payment application for the work performed and/or yet to be certified by our customers for the work performed during the respective year end.

During the Track Record Period, as aforementioned the increment of contract assets are mainly related to the level of contract assets from Project P1, P2 and P3.

The respective revenue recognised for Project P1 was approximately MOP30.4 million, MOP56.4 million, MOP15.4 million and MOP13.8 million for FY2016, FY2017, FY2018 and 7M2019, respectively. The contract asset (excluding retention money) contributed by Project P1 was approximately nil, MOP0.4 million, MOP2.8 million and nil for same period.

The respective revenue recognised for Project P2 was approximately MOP30.1 million, MOP89.5 million, MOP45.3 million and MOP3.7 million for FY2016, FY2017, FY2018 and 7M2019, respectively. The contract asset (excluding retention money) contributed by Project P2 was approximately MOP3.1 million, MOP8.0 million, nil and nil for the same period.

The respective revenue recognised for Project P3 was approximately MOP28.8 million, MOP37.0 million, MOP31.4 million and MOP15.9 million for FY2016, FY2017, FY2018 and 7M2019, respectively. The contract asset (excluding retention money) contributed by Project P3 was approximately nil, MOP5.8 million, MOP18.1 million and MOP20.3 million for the same period.

Our Director's believe that the relatively large amount of contract assets recorded from these projects is mainly due to (i) Project P1's contract asset grew larger as the project came closer to completion where projects at it's later stage would tend to have lower billing and settlement as customers tend to take a greater period of time for final and detail checking before they were fully satisfied with all the works we were responsible for; and (ii) Project P2 and Project P3 involved a relatively greater amount of variation orders which delayed the billing and settlement as more time was needed for calculation and inspection by our customer.

Our Directors believe that the relatively large amount of contract assets as at 31 July 2019 in proportion to our revenue recorded for FY2019 was mainly a result of the mismatch in the timing of the E&M engineering works performed by us with the amount of works performed by us which are yet to submit our payment application for the work performed and/or yet to be certified by our customers for the work performed. Our Directors expect to realise the contract assets as at 31 July 2019 in our normal operating cycle: (i) Out of approximately MOP38.7 million of our contract assets, other than the retention money which are also included in our contract assets, MOP29.0 million, or 75.1% of our contract assets (excluding retention money), was subsequently billed to our customers as at the Latest Practicable Date; and (ii) Out of

approximately MOP38.7 million of our contract assets, other than the retention money which are also included in our contract assets, MOP19.5 million, or 50.5% of our contract assets (excluding retention money), was subsequently settled by our customers as at the Latest Practicable Date.

The following table sets forth the aging analysis of our contract assets (excluding retention money) as of the dates indicated:

	As at 31 December			As at 31 July
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Within 30 days	15,725	17,484	16,711	22.438
31 to 90 days	280	2,931	9,891	8,939
91 to 180 days	–	366	9,920	6,836
Over 180 days	–	1,457	813	837
	16,005	22,238	37,335	39,050
Receipt in advance	(4,808)	(2,113)	(3,279)	(396)
	11,197	20,125	34,056	38,654
Subsequently billing made to customers as at the Latest Practicable Date (%)	100.0	100.0	100.0	75.1
Subsequently settlement by the customers as at the Latest Practicable Date (%)	100.0	100.0	100.0	56.7

Our Directors confirmed that the Group has no material disagreements or disputes with its customers on the project progress and/or the amount of works performed during the Track Record Period and up to the Latest Practicable Date and our Directors expect the contract assets as at 31 July 2019 to be fully settled in our normal operating cycle.

During the Track Record Period, our contract liabilities, which are general from the E&M engineering works, consists of the amount of receipt in advance from a customer which is netted off against retention money on a particular contract basis. As at 1 January 2016, 31 December 2016, 2017 and 2018 and 31 July 2019, our contract liabilities amounted to approximately MOP**[REDACTED]**, MOP**[REDACTED]**, MOP**[REDACTED]**, MOP**[REDACTED]** and MOP**[REDACTED]**.

Our contract liabilities remained stable at approximately MOP**[REDACTED]** as at 31 December 2016 and approximately MOP**[REDACTED]** as at 31 December 2017. The significant increase of our contract liabilities from MOP**[REDACTED]** as at 31 December 2017 to approximately MOP**[REDACTED]** as at 31 December 2018 was mainly due to the receipt in advance from Project P10, Project P11 and Project P12. The significant decrease of our contract liabilities from approximately MOP**[REDACTED]** as at 31 December 2018 to approximately MOP**[REDACTED]** as at 31 July 2019 was primarily due to the recognition of revenue in profit or loss during 7M2019.

Trade and other payables

During the Track Record Period, our trade and other payables mainly consist of (i) our trade payables which represents our amounts payable to our subcontractors for subcontracting costs and suppliers for the purchase of construction materials; and (ii) our other payables which mainly represents our retention payable, accrued expenses and accrued **[REDACTED]**. The following table sets forth the breakdown of our trade and other payables as at the dates indicated:

	As at 31 December			As at 31 July
	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Trade payables	41,299	13,961	13,274	22,299
Retention payables	3,197	4,037	3,200	2,907
Accrued expenses	516	1,070	753	472
Accrued issue costs	–	–	–	915
Accrued **[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Other payables	103	174	174	210
	45,115	19,242	17,401	29,550

Trade payables

During the Track Record Period, our trade payables mainly represented amounts payable to our subcontractors for subcontracting costs and suppliers for the purchase of construction materials. Our trade payables are unsecured and non-interest-bearing.

Our trade payables amounted to approximately MOP41.3 million, MOP14.0 million, MOP13.3 million and MOP22.3 million as at 31 December 2016, 2017 and 2018 and 31 July 2019, respectively. The decrease in trade payables from approximately MOP41.3 million as at 31 December 2016 to approximately MOP14.0 million as at 31 December 2017 was mainly attributable to the settlement of trade payables balances of Ready Electrical Metal, Supplier F and Customer C.

Our trade payables remained stable at approximately MOP14.0 million as at 31 December 2017 and MOP13.3 million as at 31 December 2018.

The increase in trade payables from approximately MOP13.3 million as at 31 December 2018 to approximately MOP22.3 million as at 31 July 2019 was mainly attributable to the increase in payable balances of Subcontractor C, Subcontractor G and Subcontractor H.

The following table sets forth our aging analysis of the trade payables based on the invoice date as of the dates indicated:

	As at 31 December			As at 31 July
	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Within 30 days	35,349	5,598	9,083	15,006
31 to 60 days	5,012	4,344	2,611	4,952
61 to 90 days	402	990	1,394	477
Over 90 days	536	3,029	186	1,864
	41,299	13,961	13,274	22,299

Out of our trade payables of approximately MOP22.3 million as at 31 July 2019, MOP17.0 million, or 76.4% of our trade payables, was subsequently settled as at the Latest Practicable Date.

The following table sets forth our average turnover days of trade payables during the Track Record Period:

	For the year ended 31 December			For the seven months ended 31 July
	2016	2017	2018	2019
Trade payables turnover days *(Note)*	91	64	39	48

Note: The trade payables turnover days for a year/period is the average trade payables divided by cost of sales for that year/period and multiplied by the number of days for the corresponding years/period.

Our trade payables turnover days were approximately 91 days, 64 days, 39 days and 48 days for FY2016, FY2017, FY2018 and 7M2019, respectively. The fluctuations of the our creditor's turnover days during the Track Record Period was mainly due to the changes in the balances of trade payables as at 31 December 2016, 2017 and 2018 and 31 July 2019, which are largely dependent on our Group's working capital management and the amount of purchases made towards the year end and the level of subcontracting works performed by our Group's subcontractors for their operational needs. Our trade payables turnover days are generally in line with the credit period of 30 days to 90 days given by our suppliers and subcontractors. Our Directors believe that the high trade payables turnovers of approximately 91 days for FY2016 was mainly attributable to the relatively high trade payable balance recorded as at 31 December 2016 in relation to our purchases made towards the respective year/period end and the works performed by our subcontractors in which out of the trade payables of approximately MOP41.3 million as at 31 December 2016, approximately MOP35.3 million were aged within 30 days.

Other payables and accruals

The following table sets forth the breakdown of other payables and accruals as of the dates indicated:

	As at 31 December			As at 31 July
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Retention payables	3,197	4,037	3,200	2,907
Accrued expenses	516	1,070	753	472
Accrued issue costs	–	–	–	915
Accrued **[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Other payables	103	174	174	210
	3,816	5,281	4,127	7,251

Retention payables

During the Track Record Period, our retention payables amounted to approximately MOP3.2 million, MOP4.0 million, MOP3.2 million and MOP2.9 million as at 31 December 2016, 2017 and 2018 and 31 July 2019, respectively. Our retention payable represented the progress payments we withheld from our subcontractors with respect to their E&M engineering works performed. Retention payable is recognised immediately after we deduct a portion of progress payment from the subcontractors from the progress payment. The amount of retention money being retained is generally agreed to be approximately 10% of the certified amount until the total amount of retention money reaches approximately 5% of the contract sum which is the maximum amount to be retained. 50% of retention payables will be released to our

subcontractors after the issue of the certificate of practical completion and the remaining balance will be released upon the expiration of defects liability period.

Out of our retention payables of approximately MOP2.9 million as at 31 July 2019, MOP0.2 million, or 8.7% of our retention payable, was subsequently settled as at Latest Practicable Date.

Taxation Payables

During the Track Record Period, our taxation payables amounted to approximately MOP5.4 million, MOP10.3 million, MOP9.8 million and MOP13.5 million as at 31 December 2016, 2017 and 2018 and 31 July 2019, respectively.

Our taxation payables increased from approximately MOP5.4 million as at 31 December 2016 to approximately MOP10.3 million as at 31 December 2017 was mainly due to (i) taxation expenses recorded for FY2017 which amounted to approximately MOP 6.0 million; and (ii) the tax payment of MOP1.2 million for the financial year ended 31 December 2014 which represents the tax payment of approximately MOP1.2 million on our assessable profits under the Macau complementary tax which was only settled during FY2017 due to our late filing. The Group's Directors confirm that during the Track Record Period, all of our tax returns and computations from the respective tax bureau are filed timely for assessment.

Our taxation payables decreased from approximately MOP10.3 million as at 31 December 2017 to approximately MOP9.8 million as at 31 December 2018 was mainly due to (i) taxation expenses recorded for FY2018 which amounted to approximately MOP 6.9 million; and (ii) the tax payment of MOP3.4 million for FY2016 and MOP4.0 million for FY2017. The receipt of notice from the Macau tax bureau for FY2017 tax refiling is received in July 2019, in which we are demanded to settle the remaining tax payment for FY2017 of approximately MOP1.7 million in September 2019 and November 2019.

Our taxation payables increased from approximately MOP9.8 million as at 31 December 2018 to approximately MOP13.5 million as at 31 July 2019 was mainly due to the taxation expenses recorded for 7M2019 which amounted to approximately MOP3.7 million.

SELECTED KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at the year-end date/for the respective year indicated:

	Note	As at/ For the year ended 31 December 2016	2017	2018	As at/ For the seven months ended 31 July 2019
Current ratio	1	2.1	3.4	3.7	3.7
Quick ratio	2	2.1	3.4	3.7	3.7
Gearing ratio	3	N/A	N/A	N/A	N/A
Debt to equity ratio	4	N/A	N/A	N/A	N/A
Interest coverage	5	N/A	N/A	N/A	N/A
Return on total assets *(%)*	6	15.9	28.6	23.8	N/A *(Note 8)*
Return on equity *(%)*	7	29.8	37.6	31.6	N/A *(Note 8)*

Notes:

1. Current ratio is calculated based on total current assets divided by total current liabilities as of the end of the respective year/period.

2. Quick ratio is calculated based on total current assets less inventories (if any) in current assets, divided by total current liabilities as of the end of the respective year/period.

3. Gearing ratio is calculated based on the interest-bearing (excluding lease liabilities) debt divided by the total equity as at the respective year end and multiplied by 100%.

4. Debt to equity ratio is calculated by the net debt (all interest-bearing debt (excluding lease liabilities) net of cash and cash equivalents) divided by the total equity as at the respective year end and multiplied by 100%.

5. Interest coverage is calculated by the profit before interest and income tax divided by the interest (interest arising from interest-bearing debt) (excluding lease liabilities) for the respective year/period.

6. Return on total asset is calculated by the profit for the year divided by the total assets as at the respective year end and multiplied by 100%.

7. Return on equity is calculated by the profit for the year divided by the total equity as at the respective year end and multiplied by 100%.

8. Such ratio is not meaningful as it is not comparable to annual numbers.

Current ratio and quick ratio

Our current ratio was approximately 2.1 times, 3.4 times, 3.7 times and 3.7 times as at 31 December 2016, 2017 and 2018 and 31 July 2019 respectively. The increase in current ratio as at 31 December 2017 as compared to as at 31 December 2016 was mainly attributable to the combined effect of (i) the increase in contract assets; (ii) the increase in bank balances and cash; (iii) the decrease in trade and other payables; and (iv) the decrease in trade and other receivables. Our current ratio remained stable as at 31 December 2017 and 2018 and 31 July 2019. Our Group's current ratio has been maintained at a healthy level during the Track Record Period.

Our quick ratio was approximately 2.1 times, 3.4 times, 3.7 times and 3.7 times as at 31 December 2016, 2017 and 2018 and 31 July 2019 respectively. As we do not have any inventories balances as at 31 December 2016, 2017 and 2018 and 31 July 2019, please refer to the above for the explanation on the changes of our quick ratio.

Please refer to the paragraph "Analysis of various items from the consolidated statements of financial position" in this section for more details on the reasons of the fluctuations on the various items from the consolidated statements of financial position.

Gearing ratio

The gearing ratio was not applicable to our Group as at 31 December 2016, 2017 and 2018 and 31 July 2019 as we did not have any debt as at the respective dates.

Debt to equity ratio

As at 31 December 2016, 2017 and 2018 and 31 July 2019, our bank balances and cash level exceeded our total debt as we did not have any debt as at 31 December 2016, 2017 and 2018 and 31 July 2019. Therefore, no debt to equity ratio is formulated for our Group.

Interest coverage

Interest coverage is not applicable to our Group for FY2016, FY2017, FY2018 and 7M2019 as we did not have any debt as at 31 December 2016, 2017 and 2018 and 31 July 2019.

Return on total assets

Our return on total assets was approximately 15.9%, 28.6% and 23.8% for FY2016, FY2017 and FY2018. Our return on total assets increased from approximately 15.9% for FY2016 to approximately 28.6% for FY2017. Such increase was mainly attributable to the combined effect of (i) the increase in our net profit for the year during FY2017; and (ii) the increase of our total assets as at 31 December 2017 as compared to 31 December 2016. Our return on total assets decreased from 28.6% for FY2017 to approximately 23.8% for FY2018. Such decrease

was mainly attributable to our net profit increased less than our total assets in terms of percentage.

Return on equity

Our return on equity was approximately 29.8%, 37.6% and 31.6% for FY2016, FY2017 and FY2018. Our return on equity increased from approximately 29.8% for FY2016 to approximately 37.6% for FY2017. Such increase was mainly attributable to the increase in our equity as a result of our profitable operations. Our return on equity decreased from 37.6% for FY2017 to approximately 31.6% for FY2018. Such decrease was mainly attributable to our net profit and total comprehensive income increased less than our total equity in terms of percentage.

Balances with related parties

As at 31 December 2016, 2017 and 2018 and 31 July 2019, our Group had the following balances with related parties.

	As at 31 December			As at 31 July
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Amounts due from (to) directors:				
Mr. MK Wan *(Note 1)*	90	1,013	1,012	1,023
Mr. Woo *(Note 1)*	(151)	(328)	(360)	–
Mr. Wong Man Wai Thomas *(Note 1)*	(58)	(58)	–	–
Amount due from immediate holding company:				
SEM Enterprises *(Note 1)*	473	483	586	586
Amounts due from (to) related companies:				
Ready System Engineering *(Note 2)*	7,909	–	–	–
Ready Engineering *(Note 3)*	108	213	213	–
Ready Electrical Metal *(Note 3)*	(2,121)	(420)	(124)	–
Ready Enterprises (China) *(Note 3)*	(40)	(40)	(40)	–
Shung Tat M&E Equipment *(Note 4)*	(109)	–	–	–

Notes:

(1) The amount is non-trade in nature, unsecured, interest-free and repayable on demand.

(2) Mr. Mk Wan, our Director, was the controlling shareholder of the company. On 14 February 2017, Mr. MK Wan ceased to be the director of Ready System Engineering, upon Ready Engineering's disposal of Ready System Engineering. Please refer to the section headed "Relationship with our Controlling Shareholders" in the document for more details. The amount is non-trade in nature, unsecured, interest-free and repayable on demand.

(3) Mr. Mk Wan, our Director, is the controlling shareholder of the company. The amount is non-trade in nature, unsecured, interest-free and repayable on demand.

(4) Mr. Mk Wan, our Director, has significant influence of the company. The amount is non-trade in nature, unsecured, interest-free and repayable on demand.

Our Directors confirm that all of the outstanding balances with the related parties are non-trade in nature and unsecured and will be fully repaid before/upon **[REDACTED]**.

Related parties transactions

During the Track Record Period, our Group had the following transactions with related parties:

	FY2016	**FY2017**	**FY2018**	**7M2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Purchase of materials from Shun Tat M&E Equipment	6,766	3,701	501	–
Purchase of materials from Ready Electrical Metal	6,621	455	–	–
Management fee paid to Ready System Engineering	206	–	–	–

During the Track Record Period, Ready Electrical Metal and Shun Tat M&E Equipment have supplied and sold certain electrical equipment, materials and parts to our Group and Ready System Engineering has provided management service to our Group. Our business relationship with Ready System Engineering had discontinued in 2016, whereas our business relationship with Ready Electrical Metal and Shun Tat M&E Equipment will not continue following **[REDACTED]**.

Although our Group purchased electrical equipment, materials and parts from Ready Electrical Metal and Shun Tat M&E Equipment during the Track Record Period, our directors confirm that these related party transactions are entered into in the ordinary and usual course of business of our Group and have been based on arm's length negotiations and on normal terms which are fair and reasonable and in the interest of our Group and our Shareholders as a whole. The fee paid by us to Ready Electrical Metal and Shun Tat M&E equipment during the Track Record Period will be determined through our quotations procedures according to our internal rules and procedures of the company where we generally invite more than one suppliers from our internal approved list of supplier for quotation and our executive Directors will compare the

fees rates offered by other Independent Third Parties and taking into account different factors, such as previous working relationship with the supplier and product, and choose the most suitable supplier. The pricing terms will be in line with the market rates and the credit terms with be similar to the credit terms given to us from other Independent Third Parties suppliers. Our Directors confirm that such connected transactions will not continue after the **[REDACTED]**.

SUFFICIENCY OF WORKING CAPITAL

Our Directors confirm that, after due and careful enquiry and taking into consideration of the presently available financial resources to our Group, including other internal resources and the expected **[REDACTED]** of the **[REDACTED]**, our Group has sufficient working capital for our present requirements for at least the next 12 months from the date of the document.

CONTINGENT LIABILITIES

As at 31 December 2016, 2017 and 2018 and 31 July 2019, our Group did not have any significant contingent liabilities.

INDEBTEDNESS

	As at 31 December 2016	**As at 31 December 2017**	**As at 31 December 2018**	**As at 31 July 2019**	**As at 30 November 2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000* (unaudited)
Amounts due to related party(ies)	2,270	460	164	–	–
Amounts due to directors	209	386	360	–	9
Lease liabilities	819	802	672	1,395	1,459

As at 31 December 2016, 2017, 2018 and 31 July 2019, our Group had total indebtedness, consisted of unsecured and unguaranteed amounts due to related parties and directors and lease liabilities, of approximately MOP3.3 million, MOP1.6 million, MOP1.2 million and MOP1.4 million. As at 30 November 2019, our Group had total indebtedness of approximately MOP1.5 million.

As at 30 November 2019, being the latest practicable date of our indebtedness statement in the document, our Group did not have any other outstanding debt securities or other similar indebtedness, bank overdrafts, borrowings, mortgages, debentures, lease arrangement or hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits or any guarantees or other material contingent liabilities. Save as disclosed above, there is no material adverse change in our indebtedness.

As at the Latest Practicable Date, our Group does not have any unutilised banking facilities.

COMMITMENTS

Capital commitments

As at 31 December 2016, 2017 and 2018 and 31 July 2019, we had no capital commitment.

OFF-BALANCE SHEET ARRANGEMENTS

Our Group had not entered into any material off-balance sheet transactions or arrangements as at the Latest Practicable Date.

DISTRIBUTABLE RESERVES

As at the Latest Practicable Date, our Company had no distributable reserve available for distribution to our Shareholders.

PROFIT ESTIMATE

Our Directors estimate, on the bases set out in Appendix III to the document, certain profit estimate data of our Company for the year ended 31 December 2019 will be not less than MOP20.0 million. The profit estimate, for which our Directors are solely responsible, has been prepared by them based on our consolidated results for the seven months ended 31 July 2019 as set out in the Accountants' Report in Appendix I to the document and our unaudited consolidated results based on the management accounts of our Group for the four months ended 30 November 2019 and an estimate of the consolidated results of our Group for the remaining one month ended 31 December 2019.

DIVIDENDS AND DIVIDEND POLICY

During the Track Record Period, no dividend has been declared or paid by our Group. We do not have a fixed dividend payout ratio and do not intend to determine any expected dividend payout ratio since our priority is to use our earnings for business development and expansion in the interest of our Shareholders as a whole.

We may declare and pay dividends by way of cash or by other means that we consider appropriate in the future. Distribution of dividends shall be formulated by our Board at its discretion and will be subject to shareholders' approval. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on, among other things, our results of operations, cash flows and financial condition, operating and capital expenditure requirements and other factors that our Directors may consider relevant. In any event, any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Cayman Companies Law. Any distributable profits that are not distributed in any given year will be retained and available for distribution in subsequent years.

To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. There is, however, no assurance that we will be able to distribute dividends of such amount or any amount each year or in any year. In addition, declaration and/or payment of dividends may be limited by legal restrictions and/or by financing agreements that we may enter into in the future.

Dividends paid in prior years shall not be indicative of future dividend payment. As at the Latest Practicable Date, we do not have plan to distribute any of our distributable and accumulated undistributed profits for the year ended 31 December 2019.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

Please refer to Appendix II to the document for further details.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKS

We are exposed to market risks from changes in market rates and prices, such as interest rate, credit and liquidity. Please refer to Note 28 to the Historical Financial Information of the Accountants' Report set out in Appendix I to the document.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group entered into certain related party transactions, details of which are set out in the Note 26 to the Historical Financial Information of the section headed "Accountants' Report" in Appendix I to the document. Our Directors confirmed that these related party transactions were conducted on normal commercial terms and they would not distort our track record results or make our historical results not reflective of our future performance.

NO MATERIAL ADVERSE CHANGE

Our Directors confirmed that, up to the date of the document, there had been no material adverse change in the financial or trading positions or prospect of our Group since 31 July 2019, being the date to which the latest audited financial statements of our Group were made up, and there had been no event since 31 July 2019 which would materially affect the information shown in the section headed "Accountants' Report" in Appendix I to the document.

BUSINESS STRATEGIES

According to the Frost & Sullivan Report, it is expected that the revenue of the E&M engineering industry in Macau would reach approximately HK$18.1 billion in 2023, growing at a CAGR of approximately 9.3% from 2019 to 2023. The repair and maintenance segment is forecasted to keep a steady growth. By the end of 2023, revenue of the E&M engineering industry in the repair and maintenance segment is estimated to reach approximately HK$5.7 billion, with a CAGR of approximately 12.2% from 2019 to 2023. With the support of the Frost & Sullivan Report, our Directors consider the E&M engineering industry in Macau will experience a steady and optimistic growth in the coming years with reasons as follows:

– **Development of the new urban zone**: According to the Macau 2019 Policy Address, the development of new urban zone has created numerous opportunities for the construction industry and E&M engineering industry.

  The development of the new urban zone is a huge land reclamation project in Macau spanning over approximately 2.8 square mile and expected to add over 12% of land and for city use as highlighted in the Policy Address for the Fiscal Year 2017. The rising land supply would, in turn, increase the number of construction projects, namely housing, public offices, commercial buildings, and recreation centres etc. The demand for E&M works is directly related to the building development and the upgrade of the existing building facilities. The construction of new buildings would drive the needs for installation of E&M system, which contributes to the growth of Macau E&M engineering services market in Macau.

– **Redevelopment of hospitality facilities**: Redevelopment of hospitality facilities is an increasing trend in Macau. The redevelopment plan includes repairs, renovations, replacements and maintenance of casinos, hotels, retail shops and restaurants. Upgrade of facilities and addition of retails shops is shown in the redevelopment plans of major licensed gaming operators. Installation of new E&M engineering systems are required in the redevelopment plans. The expansion, renovation and rebranding of hospitality facilities are forecasted to translate into growth opportunities for the E&M engineering industry in Macau.

– **Rising awareness of emergency repair**: Rising awareness towards failure of public utilities translates into greater demand for emergency repair in buildings and facilities. Building disaster recovery and business continuity plans are now becoming increasingly important in construction projects and top priority of urban planning. Recently, the accidents of the public facilities have come into spot light. In addition, E&M engineering system in buildings and facilities in Macau is expected to be upgraded in view of the impact on power and electricity systems brought by Typhoon Hato in 2017. It is forecasted the demand for emergency repair would continue to grow in Macau.

– **Upgrading of public amenities and enhanced traffic management**: With the rapid growth of tourism, the demand for public amenities in Macau is on the rise. The Macau Government has been launching policies to upgrade the public amenities and infrastructure, as well as enhancing traffic management. The enhancement of traffic management includes the construction of Light Rapid Transit (LRT) Taipa, the LRT A-Ma station, and the fourth Macau-Taipa cross-harbour bridge, preliminary design of the fifth Macau-Taipa cross-harbour route, and renovation and expansion of Macau International Airport.

  Together with the installation, testing and commissioning of route-wide traffic control and surveillance system, the associated fire safety services, and other building works in relation to the traffic enhancement projects would increase the demand for E&M engineering works in Macau. Going forward, traffic management enhancement would alleviate the problem of traffic congestion and increase the capacity to serve more tourists, which in turn benefits the building development and E&M engineering services in the long term. The upgrading of public amenities and enhanced traffic management would, therefore, create the huge demand for projects in relation to the E&M engineering works in Macau.

– **Surging demand from the construction of smart city**: As set out in the draft of its Five-Year Development Plan (2016–2020), the Macau Government plans to promote the development of smart city. In 2020, the government will establish an application platform to enable effective overall command during emergencies, which will facilitate the capacities of monitoring, forecasting and coordination. Smart transport is promoted through optimising the transportation system, transport configuration and road works coordination, as well as provision of smart commuting services. The government will also initiate preparatory works for rolling out a 5G network and press ahead with constructing infrastructure for telecommunications operators, hence providing better mobile network services to residents. The development of smart city requires the investment in IT infrastructure and public utilities, in which more construction works would be performed. To ensure the smoothness of traffic flow, safety of workers and pedestrians, as well as minimising the impact on environment, traffic controls and emergency repair are implemented to comply with the operational standards. The pace of upgrading of public facilities is expected to grow continuously, which in turn lead to an increase in demand for E&M engineering emergency repair.

  Information, communication and building technologies (ICBT) is a subset of E&M engineering and refers to the design, hardware and software development, installation and maintenance of infrastructure communications and security and access systems, such as automatic passenger clearance system with biometric technology and building management, energy, automation systems and extra-low voltage systems. ICBT plays an important role in smart transport, which is one of the key applications of smart city. Smart transport makes use of the new generation of information technology such as Internet of things, space perception, cloud computing and mobile Internet in transportation sector, combing the theory and tools of traffic science, system method,

artificial intelligence and knowledge mining, creating real-time dynamic information service system. Through deep of mining traffic-related data, the transport industry will achieve optimisation of resource allocation, enhance public decision-making capacity, industry management and public service capabilities. Since the smooth operation of the smart city will substantially rely on the proper functioning of each E&M engineering components as stated above, should there be any malfunctioning of any E&M engineering system which could result in the failure of functioning of the entire smart city, non-emergency or prolonged repairing will not be an option. Driven by the implementation of smart city and upgrading of the transport systems, and the integration of information system and building facilities, the emergency E&M maintenance service is expected to enjoy the growth.

– **The rise in living standards and technological advancement**: Given the gradual rising living standards and the advancement in technology, people have rising expectation in living environments which require different building owners and operators to upgrade their service and facilities system. For the upgrades, often the service and facilities providers such as hotels or entertainment facilitators would prefer employing more experienced E&M engineering service providers who have more comprehensive capabilities as well as detailed and periodic consultation plan on E&M engineering system installation or maintenance.

For further information about the market drivers, opportunities and trends, please refer to the section headed "Industry overview" in the document.

According to the Frost & Sullivan Report, our revenue attributable to E&M engineering works in Macau in FY2018 represented approximately 1.6% of the total revenue generated from the entire E&M engineering industry in 2018 in Macau, and ranked fifth among the E&M engineering works contractors in Macau in terms of share of total industry revenue in 2018.

Being an established and active industry player in the E&M engineering industry in Macau, our Directors consider that we are well-positioned to capture the industry growth as aforesaid. Taking advantage of the forecasted growth in the E&M engineering industry in Macau, we aim to further strengthen our market position by (i) strengthening our financial position to undertake more sizeable E&M engineering projects; (ii) establishing an E&M maintenance department; and (iii) strengthening our manpower.

For further details on how we intend to implement the below strategies, please refer to the paragraph headed "Implementation plan" in this section.

Strengthening our financial position to undertake more sizeable E&M engineering projects

Our Directors consider that we shall need to strengthen our financial position in order to take up more sizeable E&M engineering projects with larger contract sums. According to the Frost & Sullivan Report, the business of being an E&M engineering contractor is considered as a capital intensive business especially due to the fact that there is a significant upfront cost incurred at the initial stage of each project, principally attributable to (i) purchase or deposit for materials such as cables, electrical parts and components; (ii) fees payable to the subcontractors (including the imported workers); (iii) recruitment of direct labour (if necessary); and (iv) provision of performance bonds to the customers. For each project, although the range of the average time to receive the first payment was approximately four to six months after the award of the project in general, the situation of upfront cost incurred will generally maintain approximately five to seven months after the award of the project until the receipts of the monthly progress payments are able to achieve a breakeven on all the upfront cost incurred (excluding the amount of the performance bond). Although the amount of upfront cost (in terms of percentage against the initial contract sum) differs from project-to-project, as per the experience of our Directors and making reference to our major projects during the Track Record Period, and with the support of the Frost & Sullivan Report, it is considered that the average upfront cost of a particular project is approximately 10% of the initial contract sum. With the size of the project increases, the amount of the upfront cost incurred will become more substantial (excluding the amount of the performance bonds).

As such, the situation of upfront cost incurred at the initial stage of a project constraints the number and size of projects which we can undertake at the same time due to our limited resources. Going forward, we intend to strengthen our cash position and available financial resources with the **[REDACTED]** of the **[REDACTED]** to satisfy the upfront cost and performance bond requirements of our projects in the future such that we shall be able to undertake more sizeable E&M engineering projects in Macau.

According to the Frost & Sullivan Report, financial capability is one of the key factors that determines the scale of operation and projects which contractors are able to undertake, which further affects potential profitability of contractors. As such, capital strength is considered to be one of the most important competitive strengths of contractors in the E&M engineering industry in Macau. In particular as performance bonds would typically be required for new contractors with limited past working relationships with the contract owners, our Directors were hesitant in submitting tenders for sizable projects to new customers which require performance bonds during the Track Record Period.

With a strengthened financial position, we shall be in a better position to tender for more sizeable E&M engineering projects with large contract sums given that (a) we can satisfy project upfront cost requirements of sizeable E&M engineering projects from customers; and (b) we will be able to adopt a more competitive pricing strategy in tendering for E&M engineering projects from new customers to capture new business opportunities even when there are performance bond requirements thereby further expanding our market share within the growing E&M engineering industry in Macau. We will continue to focus on projects on a selective and prudent

basis which are profitable and sizeable in nature when implementing our tender/quotation strategy. With such flexibility in allocating our financial resources, we believe we can effectively implement the tender and pricing strategies which our management has formulated from time to time.

Establishing an E&M maintenance department

Needless to say, smooth and stable operation of the E&M engineering systems is critical to the daily operation of the premises. Regular and reliable inspection and maintenance are paramount to ensure smooth and stable operation of the E&M engineering systems, so that risk of suspension can be minimised. The premises that our projects located during the Track Record Period included commercial and residential buildings, hotels and casinos in Macau. People can imagine that suspension of operation in these premises will be a tragedy.

With our Directors' years of experience and with the support of the Frost & Sullivan Report, given the E&M engineering systems require regular and reliable inspection and maintenance as aforesaid, the landlords of the premises will prefer such works to be handled by reputable and established E&M engineering contractors. Further, there have been an increasing needs for the 24-hour E&M maintenance services in Macau because provision of maintenance works during "off-peak" hours will cause much less disturbance to the daily operation of the premises. As reliability and safety of E&M engineering systems such as electricity, wiring and surveillance system becomes increasingly important, the aging E&M systems of hotels and casinos would contribute to the growth of emergency E&M engineering services in Macau.

Being an established E&M engineering works contractor in Macau founded in 2006, we have built up solid experience and reputation in E&M maintenance projects. The followings set out the projects involving E&M maintenance works (entirely or partially) during the Track Record Period:

- Project P1 with initial contract sum of over MOP100 million, is about maintenance, supply and installation of fitting out, electrical, mechanical ventilation and air conditioning and plumbing works in a hotel renovation project at Avenida da Amizade, Macau;

- Project P4 with initial contract sum of approximately MOP30 million, is about installation and supply of electrical system in a hotel renovation project at Avenida do Dr. Rodrigo Rodrigues, Macau;

- Project P12 with initial contract sum of approximately MOP4.4 million, is about modification and maintenance of the existing electrical and extra-low voltage installation in a residential development at NAPE, Macau;

- Project S8 with initial contract sum of approximately MOP6.4 million, is about modification and maintenance of the existing electrical and extra-low voltage installation in a residential development at NAPE, Macau;

- A project with initial contract sum of approximately MOP466,000, is about maintenance works for the existing low-voltage switchboard in a residential and commercial development at NAPE, Macau;

- Project S14 engaged by the representative of a hotel owner with initial contract sum of approximately MOP765,000, is about maintenance works for the existing electrical and extra-low voltage system in a hotel at NAPE, Macau and supplemented by a quotation at approximately MOP350,000 for certain E&M checking works;

- Project S18 with initial contract sum of approximately MOP4.1 million, is about modification of cable containment for building management system in a residential and commercial development project at Taipa, Macau;

- Project S20 with initial contract sum of approximately MOP4.2 million, is about temporary power supply for electrical installation in a hotel renovation project at Cotai City, Macau;

- A project with initial contract sum of approximately MOP172,000, is about health check for the existing electrical system in the tourist tower at Praca Do Lago Sai Van, Macau and supplemented by a quotation at approximately MOP974,000 for certain E&M maintenance works; and

- Three maintenance projects with total initial contract sum of approximately MOP104,000.

In view of the aforesaid, our Directors consider that our Group will be benefited with the establishment of an E&M maintenance department with the **[REDACTED]** of the **[REDACTED]**. We plan to provide, through such E&M maintenance department, two major kinds of maintenance services: (a) regular E&M maintenance services; and (b) emergency E&M maintenance services, to our existing and new customers. The service model of our regular E&M maintenance services will be either on a one-off project basis based on a lump sum quotation or on a retainer basis to provide monthly/quarterly maintenance services over a fixed period of time, while the service model of our emergency E&M maintenance services will be in a form of master service contract setting out the price or price rate of each item of maintenance works and when certain item(s) of maintenance works are required by our customers, they will then place the relevant work orders to us. Our two major "menu items" of emergency E&M maintenance services include (i) inspection works to address the causes of the defects in the malfunctioning E&M systems; and (ii) temporary E&M rectification or installation works so that the malfunctioning E&M systems can resume operation on a temporary basis such that the landlord can "buy time" to consider and engage us for our regular E&M maintenance services to resolve the problems in the long term.

With the support of the Frost & Sullivan Report, although there were more than 200 E&M engineering contractors in Macau in 2018, the landlords of the premises will prefer the E&M maintenance works to be handled by reputable and established E&M engineering contractors (for example and in particular, the top five market players including our Group being ranked fifth in

terms of share of total industry revenue in 2018). Further, with the support of the Frost & Sullivan Report, each of the top five market players in the E&M engineering industry in Macau (including our Group) currently do not have their own E&M maintenance department in Macau. Therefore, our Directors consider that it will be a golden opportunity for us to stand out from our major competitors (in particular, the other top four market players) with the establishment of our E&M maintenance department in Macau.

With the support of the Frost & Sullivan Report, while we had only 12 projects involving E&M maintenance works during the Track Record Period, the skills and experience in provision of E&M engineering services (i.e. supply and installation of E&M systems) are transferrable to the provision of E&M maintenance services, which also explains why reputable and established E&M engineering contractors are preferred by the landlords of the premises to provide the E&M maintenance works.

With our expansion of service scope to cover regular and emergency E&M maintenance services, our Directors are convinced that our Group will be able to stand out from our competitors and increase our market share in the E&M engineering industry in Macau, to enhance existing customers' loyalty and we will also be able to promote our E&M engineering works to new customers (in particular the landlords of various commercial and residential buildings, hotels and casinos in Macau) thereby increasing our tendering opportunities for sizeable E&M engineering projects, hence achieving better financial results in the future.

During the Track Record Period and up to the Latest Practicable Date, our Directors from time to time had discussions with and received enquiries from our customers and landlords of various commercial and residential buildings, hotels and casinos in Macau on our service capability and capacity in undertaking E&M maintenance works. Although such discussions and enquiries have not always resulted in project opportunities eventually given that we had not established our E&M maintenance department and, as a temporary measure, had to utilise the manpower and resources responsible for E&M supply and installation projects to occasionally cross-over to do the works supposed to be done by the E&M maintenance department, it nevertheless indicated that our customers and those landlords had considered the necessity of E&M maintenance works and their intention of engaging our Group for E&M maintenance works.

After the establishment of our E&M maintenance department, our senior management team will propose various introductory sessions with our major customers and the landlords about the expansion in our service portfolio and the service capacity in providing E&M maintenance works.

Strengthening our manpower

We strategically subcontract on-site labour intensive works to our subcontractors and as well as our imported workers, while maintaining overall project management and implementation. As at the Latest Practicable Date, we had 24 full-time employees located in Macau and Hong Kong of which only 12 of our employees located in Macau were responsible

for engineering, construction site supervision and safety. Our Directors consider that our manpower for engineering, construction site supervision and safety has been fully utilised for the on-going projects as at the Latest Practicable Date.

Limited by the manpower of our current project management team, in particular project managers and site supervisors who supervise our subcontractors and imported workers at the project sites, we consider that it is necessary to expand our in-house staff team with the **[REDACTED]** of the **[REDACTED]** in order to cater for the increasing number of sizeable E&M engineering projects as well as the future regular and emergency E&M maintenance works to be undertaken by us.

We prepare to recruit ten additional full-time staff (comprising one project manager, one assistant project manager, three engineers, one safety officer, three foremen and one quantity surveyor) to handle the growing number of sizeable E&M engineering projects to be undertaken after strengthening our financial position with the **[REDACTED]** of the **[REDACTED]** because the current employees located in Macau responsible for engineering, construction site supervision and safety are inadequate to cater such increasing number of projects. Historically, the expansion of our human resources (including both direct employees and imported workers) was restricted by the imported workers arrangement with our customers and/or the main contractors. In particular, when one project completes, the imported workers arrangement for that project will also be terminated. Nevertheless, there is no assurance that we can secure imported labour quota, on a continuous basis, from other customers and/or the main contractors such that we can continue to "retain" all the imported workers for that completed project resulting that we may need to "dismiss" them. Given that competition for skilled and experienced personnel (especially those responsible for supervisory role such as project manager and foreman) in the industry is intense, our uncertainty to "employ" them continuously would undermine our attractiveness in the industry to recruit them. In stating so, in 7M2019, we have been granted two imported labour quota, and our Directors will continue to use their best endeavours to secure more imported labour quota for our Group. With the increasing number of our own imported labour quota, our Directors consider that our competitiveness in attracting and recruiting experienced personnel for supervisory role will increase such that we are able to expand our human resources for engineering, construction site supervision and safety with the stable and experienced personnel thereby strengthening our work capacity as well as improving our service quality.

Further, since the target customers of our E&M maintenance department are the landlords of the premises, there will not be available any allocation of imported labour quota from the "main contractors". Therefore, we need to either employ the local workers, and/or apply and utilise our own imported labour quota for the employment of suitable imported workers, to provide the relevant E&M maintenance services to our customers. In this regards, we prepare to recruit six additional full-time staff (comprising one project manager, two engineers and three foremen) to work in the E&M maintenance department to be established with the **[REDACTED]** of the **[REDACTED]**.

[REDACTED]

The table below sets forth the estimated **[REDACTED]** from the **[REDACTED]** that we will receive after deducting the related **[REDACTED]** fees and estimated expenses in connection with the **[REDACTED]**:

	Assuming the [REDACTED] is not exercised *HK$ million (MOP million)*		**Assuming the [REDACTED] is exercised in full** *HK$ million (MOP million)*	
Assuming an **[REDACTED]** of HK$**[REDACTED]** (being the high-end of the **[REDACTED]**)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Assuming an **[REDACTED]** of HK$**[REDACTED]** (being the mid-point of the **[REDACTED]**)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Assuming an **[REDACTED]** of HK$**[REDACTED]** (being the low-end of the **[REDACTED]**)	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

We intend to apply the **[REDACTED]** from the **[REDACTED]** of approximately MOP**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**) for the following purposes assuming the **[REDACTED]** is not exercised and assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the mid-point of the **[REDACTED]**:

Strengthening our financial position to undertake more sizeable E&M engineering projects

Payment of the upfront cost for our future projects

Approximately MOP**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**) or approximately **[REDACTED]**% of the **[REDACTED]** will be used for upfront cost of our projects including (i) purchase or deposit for materials such as cables, electrical parts and components; (ii) fees payable to the subcontractors (including the imported workers); and (iii) recruitment of direct labour (if necessary).

Payment for the performance bonds for our future projects

Approximately MOP**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**) or approximately **[REDACTED]**% of the **[REDACTED]** will be used for obtaining performance bonds for new E&M engineering projects from new and/or existing customers.

Our on-going and potential sizeable E&M projects as at the Latest Practicable Date

During the Track Record Period, we had completed 30 projects. As at 31 July 2019, we had 20 on-going projects (either in progress or yet to commence). After 31 July 2019 and up to the Latest Practicable Date, we had completed two further projects and five new projects had been awarded. As at the Latest Practicable Date, we had 23 on-going projects (either in progress or yet to commence) (the "**On-going Projects**"). Our Directors expect that these on-going projects will contribute revenue to us of approximately MOP85.1 million for the remaining five months ended 31 December 2019, approximately MOP157.9 million in FY2020 and approximately MOP74.2 million in FY2021. Our On-going Projects are expected to be completed by FY2021. For details, please refer to the paragraph headed "Business – Our projects – On-going projects" in the document. The following tables set out further information about our On-going Project P15 the outstanding upfront cost and outstanding performance bond of which will utilise the **[REDACTED]** from the **[REDACTED]**:

Project	Customer	Latest contract sum[(Note 1)]	Commencement date	Expected completion date	Status	Outstanding upfront cost effect as at the Latest Practicable Date[(Note 3)]	Outstanding performance bond requirement as at the Latest Practicable Date[(Note 4)]
		MOP'000				*MOP'000*	*MOP'000*
P15	Customer L	82,586	October 2019	First quarter of 2021	In progress[(Note 2)]	8,259	8,259

Notes:

1. The latest contract sum as revised due to variation and supplemental orders, as the case may be.

2. Project P15 commenced its operation in October 2019, therefore accordingly its upfront cost effect has also commenced to be incurred. As indicated in the paragraph headed "Business strategies – Strengthening our financial position to undertake more sizeable E&M engineering projects" in this section that the situation of upfront cost incurred will generally maintain approximately five to seven months, our Directors estimated that Project P15 will achieve breakeven on upfront cost effect by mid of 2020.

3. The outstanding contract sum as at the Latest Practicable Date of Project P15 was approximately MOP82.6 million.

4. The outstanding performance bond requirement for Project P15 shall be fulfilled by April 2020.

The outstanding performance bond requirements of our On-going Project P15 as per the table above amount to approximately MOP8.3 million.

On top of our On-going Projects, as at the Latest Practicable Date, we had submitted 77 quotations/tenders but pending result of whether they will be awarded, and the total contract sum of them was approximately MOP548.3 million (the "**Potential Projects**"). The following table summarises our Potential Projects with the initial contract sum of more than MOP10 million as at the Latest Practicable Date in descending order:

Rank	Customer	Sector	Type	Contract sum[(Note 1)] *MOP'000*	Expected date of quotation/ tender result announcement	Expected project commencement date	Expected project completion date	Performance bond *MOP'000*
1	Customer L	Private	Supply and installation of electrical system in a hotel and casino development at Cotai, Macau	167,299	Within the first quarter of 2020	Within the second quarter of 2020	By the end of 2022	16,730
2	Customer A2	Private	Supply and installation of electrical and extra-low voltage system in a secondary school expansion project at Rua de S. Lourenço, Macau	118,881	Within the first quarter of 2020	Within the second quarter of 2021	By the end of 2021	11,888
3	An established operator of casinos and hotels in Macau	Private	Replacement works for façade lighting at tower and feature lighting at common area of entertainment centre in the tourist tower at Praca Do Lago Sai Van, Macau	110,083	Within the first quarter of 2020	Within the second quarter of 2020	By the end of 2021	11,008
4	Customer A2	Private	Supply and installation of electrical and extra-low voltage system in an expansion project of an affiliated school of a Macau university at Taipa, Macau	72,190	Within the first quarter of 2020	Within the second quarter of 2020	By the end of 2021	7,219

Rank	Customer	Sector	Type	Contract sum[(Note 1)] *MOP'000*	Expected date of quotation/ tender result announcement	Expected project commencement date	Expected project completion date	Performance bond *MOP'000*
5	Customer A2	Private	Supply and installation of extra low voltage system in a hotel development project at Lago Nam Van, Macau	28,280	Within the first quarter of 2020	Within the second quarter of 2020	By the end of 2021	2,828
6	Customer A2	Private	Design and implementation of extra-low voltage system at shopping mall in a residential and commercial development project at Taipa, Macau	16,219	Within the first quarter of 2020	Within the second quarter of 2020	By the end of 2022	1,622
7	Customer A2	Private	Supply and installation of electrical system for a shop in a residential and commercial development project at Taipa, Macau	10,890	Within the first quarter of 2020	Within the first quarter of 2020	By the end of 2021	1,089
			Total[(Note 2)]:	523,843				52,384

Notes:

1. This is based on the quotations/tenders submitted. The initial contract sum of a particular project (if awarded) is subject to the letter of intent.

2. The figures and percentages above may not add up to the total due to rounding.

Our seven major Potential Projects as per the table above account for approximately 95.5% of the total contract sum of our Potential Projects at approximately MOP548.3 million.

Besides the above seven major Potential Projects (i) there are six Potential Projects with contract sum between MOP10 million and MOP1 million, none of which have any performance bond requirement; and (ii) the remaining 64 Potential Projects with contract sum below MOP1 million do not have any performance bond requirement. The total performance bond requirement of all our 77 Potential Projects is approximately MOP52.4 million.

Further to our Potential Projects, we target to submit within one year after **[REDACTED]** further quotations/tenders with the total contract sum of not less than MOP400 million (the "**Further Potential Projects**").

The following table sets forth the major quotation/tender invitation that we have received as at the Latest Practicable Date and that we intend to submit quotation/tender after **[REDACTED]** for bidding for the Further Potential Projects:

Rank	Customer	Sector	Type	Estimated sum of quotation/ tender submission *MOP'000*	Expected project commencement date	Expected project completion date	Performance bond requirement
1	Customer A2	Private	Supply and installation of electrical system in a hotel and casino development at Cotai, Macau	400,000	Around the first quarter of 2020	Around the first quarter of 2023	10% of the contract sum

Estimation of the upfront cost for our future projects

In view of the above, taking into account the average quotations/tenders success rate during the Track Record Period at approximately 30.6%, our Directors estimated that the total contract sum of our Potential Projects and Further Potential Projects to be awarded (the "**Estimated Future Awarded Projects**") will be at approximately:

Total contract sum of Potential Projects : MOP548.3 million

Total contract sum of Further Potential Projects : MOP400 million

Average quotations/tenders success rate : 30.6%

Therefore, total contract sum of Estimated Future Awarded Projects =

(MOP548.3 million + MOP400 million) x 30.6% = MOP290.2 million

As at the Latest Practicable Date, the outstanding upfront cost effect for Project P15 was approximately MOP8.3 million. The total contract sum of our Estimated Future Awarded Projects will be at approximately MOP290.2 million. As per the experience of our Directors and making reference to our major projects during the Track Record Period, and with the support of the Frost & Sullivan Report, the average upfront cost of a particular project is approximately 10% of the initial contract sum. Therefore, we shall need to reserve approximately MOP37.3 million (i.e. MOP290.2 million x 10% + MOP8.3 million) to satisfy the upfront cost requirement of our future contracts.

Estimation of the performance bonds for our future projects

Regarding the performance bond requirements, as aforesaid, the outstanding performance bond requirements of our On-going Project P15 amount to approximately MOP8.3 million, while the performance bond requirements of our Potential Projects amount to approximately MOP52.4 million.

Since the quotation/tender invitation that we have received as at the Latest Practicable Date has imposed performance bond requirement of 10% of the contract sum, we estimate that the performance bond requirements of our Further Potential Projects amount to approximately MOP40 million (i.e. MOP400 million x 10%).

In view of the above, taking into account the average quotations/tenders success rate during the Track Record Period at approximately 30.6%, our Directors estimated that the performance bond requirements of our Estimated Future Awarded Projects will be at approximately:

(MOP52.4 million + MOP40 million) x 30.6% = MOP28.3 million

Together with the outstanding performance bond requirements of our On-going Project P15 at approximately MOP8.3 million, our Directors estimated that the total performance bond requirements of our future contracts will be at approximately:

MOP8.3 million + MOP28.3 million = MOP36.6 million

Summary

The following table sets out the portions of our estimated upfront cost and performance bonds for our future projects to be satisfied by the **[REDACTED]** from the **[REDACTED]** and by our internal resources respectively:

	Total *(MOP million)*	**To be satisfied by the [REDACTED] from the [REDACTED]** *(MOP million)*	**To be satisfied by our internal resources** *(MOP million)*
Upfront cost	**[REDACTED]**	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]
Performance bonds	**[REDACTED]**	[REDACTED] [REDACTED]	[REDACTED] [REDACTED]

Further to the table above, among the **[REDACTED]** from the **[REDACTED]** of approximately MOP**[REDACTED]** for upfront cost and approximately MOP**[REDACTED]** for performance bonds, it is estimated that approximately MOP**[REDACTED]** and MOP**[REDACTED]** respectively will be utilised to satisfy the outstanding upfront cost and/or outstanding performance bond of the On-going Project P15.

The remaining **[REDACTED]** from the **[REDACTED]** (i.e. approximately MOP**[REDACTED]** for upfront cost and approximately MOP**[REDACTED]** for performance bonds) will be allocated to satisfy the upfront cost and performance bond of the Potential Projects and Further Potential Projects on a "first-award, first-served" basis, and any shortfall will be satisfied by our internal resources.

Establishing an E&M maintenance department

Approximately MOP**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**) or approximately **[REDACTED]**% of the **[REDACTED]** will be used for establishing an E&M maintenance department within one year after **[REDACTED]**.

In order to shorten the project/work duration (which is our customers' paramount consideration because this would mean suspension time for maintenance can be minimised), our Directors consider we shall acquire our own set of machines and equipment, as well as maintain certain inventories of electrical parts and components, instead of solely rely on third party lessors and suppliers, for the E&M maintenance department to be established.

We prepare to acquire nine sets of scissor electrical platform (of approximately MOP**[REDACTED]**), 54 sets of tester (of approximately MOP**[REDACTED]**) and two light goods vehicles (of approximately MOP**[REDACTED]**) at the total cost of approximately MOP**[REDACTED]** within one year after **[REDACTED]**. We also prepare to acquire certain electrical parts and components at the total cost of approximately MOP**[REDACTED]** as inventories for E&M maintenance works within one year after **[REDACTED]**, details of which are set forth below:

Item	**Quantity**	**Amount** *MOP'000*
Air circuit breaker	**[REDACTED]**	**[REDACTED]**
Molded case circuit breaker	**[REDACTED]**	**[REDACTED]**
Measurement current transformer	**[REDACTED]**	**[REDACTED]**
Protective current transformer	**[REDACTED]**	**[REDACTED]**
Isolator switch	**[REDACTED]**	**[REDACTED]**
Miniature circuit breaker	**[REDACTED]**	**[REDACTED]**
Residual current circuit breaker	**[REDACTED]**	**[REDACTED]**
Mechanical time switch	**[REDACTED]**	**[REDACTED]**
Range contactor	**[REDACTED]**	**[REDACTED]**
Others	Various	**[REDACTED]**
	Total:	**[REDACTED]**

As per the experience of our Directors, the aforesaid electrical parts and components are commonly used in E&M engineering works, including both project nature of supply and installation, and maintenance. Accordingly to our Directors' estimation, the aforesaid

electrical parts and components shall be able to cater the operating needs of our E&M maintenance department to be established for approximately one year. These inventories of electrical parts and components can also be utilised by our on-going E&M engineering projects in case our E&M maintenance department to be established cannot "digest" them.

As a result of the acquisition of the aforesaid machines and vehicles, our Directors consider it is necessary to acquire a workshop (preferably in the same district with our current Macau office) with gross floor area at approximately 3,400 sq. ft. for the parking and regular maintenance of our machines and vehicles within one year after **[REDACTED]**. Such workshop will also designate (i) approximately 1,000 sq.ft. to serve as an emergency centre for our staff and technicians 24-hour standby to handle the orders for emergency E&M maintenance services and for staff facilities; (ii) approximately 800 sq.ft. to be used to carry out testing, inspection and storage of the electrical parts and components for E&M maintenance services; (iii) approximately 800 sq. ft. for storage of the electrical equipment including the nine sets of scissor electrical platform and 54 sets of tester to be acquired; and (iv) approximately 800 sq.ft. to serve as an operating theatre to repair the malfunctioning components retrieved from our clients' malfunctioning E&M systems. Our Directors estimate that the acquisition cost of such workshop will be at approximately MOP**[REDACTED]**, half of which at approximately MOP**[REDACTED]** as down payment will be satisfied by the **[REDACTED]** from the **[REDACTED]** while the remaining half will be satisfied by mortgage loan of a licensed bank in Macau. The relevant stamp duty at approximately MOP**[REDACTED]** and the refurbishment cost of such workshop at approximately MOP**[REDACTED]** will be satisfied by the **[REDACTED]** from the **[REDACTED]**.

Our current warehouses located at Unit D, 5/F, Edifício Industrial Wan Tai, No. 61–71 Rua Um do Bairro da Concórdia, Macau and Units 314 and 318, 3/F, Armazem Nam Kuong, No. 100 Rua do Dr. Lourenço Pereira Marques, Macau have already been fully utilised because during the Track Record Period, we had from time-to-time engaged a third party logistic company for storage service to accommodate our extra storage needs. In FY2016, FY2017, FY2018 and 7M2019, our expenses for such storage service amounted to approximately MOP211,000, MOP79,000, MOP389,000 and MOP183,000, respectively. Besides the utilisation issue, our Directors also consider that it would not be suitable to alter the use of our current warehouse to be a workshop because (i) the cargo lift of the building of our current warehouse is not large enough to uplift the equipment with considerable size and weight (such as certain scissor electrical platforms to be purchased by us); (ii) we shall need to look for alternative storage premises and the relocation of our storage capacity would somehow disrupt our existing operations; and (iii) since we need to carry out throughout renovation on our current warehouse before it can be used as a workshop, to minimise the risk of loss of our renovation investment, our Directors shall negotiate with the landlord for a longer lease term (for example, five to ten years). Nevertheless, since the first day leasing the warehouse from the landlord in 2014, the landlord only agreed to renew the lease annually and refused to have a longer lease term.

When carrying out inspection works to address the causes of the defects in the malfunctioning E&M systems, different types of testers will be involved. The 54 sets of

tester we prepare to acquire contain the following seven types: (i) multifunction tester: testing the likelihood of the damage and measuring the current of the target; (ii) insulation tester: testing the likelihood of the damage of the target; (iii) leakage clamp meter: measuring the current of the target area; (iv) light meter: testing the light level of the target area; (v) thermal imager: testing the temperature of checking unit; (vi) phase loader: testing the performance of the generator; and (vii) secondary tester: verifying the correct functioning of a circuit breaker device. To the best knowledge of our Directors, testers (that we prepare to purchase include both types of portable and fixture) are equipment analogous to computers which leasing is uncommon. Another reason of why leasing of testers is uncommon is that testers need regular calibration by third party service providers in order to make sure they will be able to function properly and measure accurately, and there is no assurance that the lessors have maintained due and regular calibration while the risk of inaccurate measurement rests on the lessees.

During the Track Record Period, we leased scissor electrical platform but did not leased any tester and light goods vehicle. Nevertheless, for the nine sets of scissor electrical platform, the two light goods vehicles and the workshop, our Directors consider that it is justifiable for us to choose acquisition instead of leasing. The following sets forth the cost and benefit analysis between acquisition and leasing:

For simplicity sake, we assume that there will be no substantial difference on repair and maintenance and labour cost between acquisition and leasing.

The average annual rental offered from third party lessors for the nine sets of scissor electrical platform, the two light goods vehicles and the workshop are approximately MOP1,300,000, MOP220,000 and MOP410,000 respectively.

We adopt a straight-line depreciation policy on our machines at the rate of 16.7% per annum, on our motor vehicles at the rate of 20% per annum, and on our properties at the rate of 2% per annum, all of which our Directors believe are in line with industry norm. For details of the relevant accounting policies and estimates, please refer to note 14 of the Accountants' Report as set out in Appendix I to the document.

Therefore, the estimated annual depreciation expenses for the nine sets of scissor electrical platform, the two light goods vehicles and the workshop are approximately MOP500,000, MOP58,000 and MOP260,000 respectively, which are lower than the estimated annual rental expenses.

Strengthening our manpower

Approximately MOP**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**) or approximately **[REDACTED]**% of the **[REDACTED]** will be used for strengthening our manpower by recruiting 16 additional full-time staff within one year after **[REDACTED]**, including two project managers, one assistant project manager, five engineers, one safety officer, six foremen and one quantity surveyor. The following table sets out their respective role, preferred qualifications and experience, and estimated salaries of the 16 additional staff to be recruited with the **[REDACTED]** from the **[REDACTED]**:

Position	**Station**	**Role**	**Preferred qualifications and experience**	**Estimated monthly salary** *MOP*	**[REDACTED]** (Note 1) *MOP'000*
Project manager x 2	Macau	One project manager to handle the growing number of sizeable E&M engineering projects to be undertaken after strengthening our financial position with the **[REDACTED]** of the **[REDACTED]**, and the another one to work in the E&M maintenance department to be established with the **[REDACTED]** of the **[REDACTED]**	– Bachelor degree in E&M engineering or related disciplines; and – minimum eight years' E&M engineering project management experience in Macau	70,000 – 90,000 per project manager	**[REDACTED]**
Assistant project manager x 1	Macau	To handle the growing number of sizeable E&M engineering projects to be undertaken after strengthening our financial position with the **[REDACTED]** of the **[REDACTED]**	– Bachelor degree in E&M engineering or related disciplines; – minimum four years' E&M engineering project management experience; and – experience in handling E&M maintenance projects in Macau	60,000 – 80,000	**[REDACTED]**

Position	Station	Role	Preferred qualifications and experience	Estimated monthly salary *MOP*	[REDACTED] (Note 1) *MOP'000*
Engineer x 5	Macau	Three engineers to handle the growing number of sizeable E&M engineering projects to be undertaken after strengthening our financial position with the **[REDACTED]** of the **[REDACTED]**, and the another two to work in the E&M maintenance department to be established with the **[REDACTED]** of the **[REDACTED]**	– High diploma in E&M engineering or related disciplines; – minimum four years' E&M engineering works experience	40,000 – 50,000 per engineer	**[REDACTED]**
Safety officer x 1	Macau	To handle the growing number of sizeable E&M engineering projects to be undertaken after strengthening our financial position with the **[REDACTED]** of the **[REDACTED]**	– High diploma in E&M engineering or related disciplines; – recognised qualification in engineering works safety; and – minimum four years' E&M engineering works experience	40,000 – 50,000	**[REDACTED]**
Foreman x 6	Macau	Three foremen to handle the growing number of sizeable E&M engineering projects to be undertaken after strengthening our financial position with the **[REDACTED]** of the **[REDACTED]**, and the another three to work in the E&M maintenance department to be established with the **[REDACTED]** of the **[REDACTED]**	– Diploma in E&M engineering or related disciplines; and – minimum four years' E&M engineering works experience	40,000 – 50,000 per foreman	**[REDACTED]**

Position	Station	Role	Preferred qualifications and experience	Estimated monthly salary	[REDACTED] (Note 1)
				MOP	*MOP'000*
Quantity surveyor x 1	Macau	To handle the growing number of sizeable E&M engineering projects to be undertaken after strengthening our financial position with the **[REDACTED]** of the **[REDACTED]**	– High diploma in quantity surveying or related disciplines; and – minimum four years' experience in E&M engineering quantity surveying	40,000 – 50,000	**[REDACTED]**
				Total(Note 2):	**[REDACTED]**

Notes:

1. 18 months' salaries (according to the mid-point of the estimated monthly salary) will be satisfied by the **[REDACTED]** of the **[REDACTED]**.

2. The figures and percentages above may not add up to the total due to rounding.

As a result of the expansion of our manpower, our Directors consider it is necessary to rent extra staff quarters in Macau (preferably in close proximity with our current Macau office) with total gross floor area at approximately 530 sq.m. for our additional staff within one year after **[REDACTED]**. Our Directors estimate that the monthly rent will be at approximately MOP**[REDACTED]** and 18 months' rent of such extra office premises at approximately MOP**[REDACTED]** will be satisfied by the **[REDACTED]** of the **[REDACTED]**.

General working capital

Approximately MOP**[REDACTED]** (equivalent to approximately HK$**[REDACTED]**) or approximately **[REDACTED]**% of the **[REDACTED]** will be used for working capital and other general corporate purposes.

IMPLEMENTATION PLAN

The following table sets forth a summary of our allocation of the **[REDACTED]** of the **[REDACTED]**:

[REDACTED]	**Percentage of [REDACTED]** *HK$ million (MOP million)*		*%*
Strengthening our financial position to undertake more sizeable E&M engineering projects			
– Payment of the upfront cost for our future projects	[REDACTED]	[REDACTED]	[REDACTED]
– Payment for the performance bonds for our future projects	[REDACTED]	[REDACTED]	[REDACTED]
Establishing an E&M maintenance department			
– Payment for acquiring machines and equipment	[REDACTED]	[REDACTED]	[REDACTED]
– Payment for inventories of electrical parts and components	[REDACTED]	[REDACTED]	[REDACTED]
– Down payment for acquiring a workshop	[REDACTED]	[REDACTED]	[REDACTED]
– Stamp duty for acquiring a workshop	[REDACTED]	[REDACTED]	[REDACTED]
– Refurbishment cost of a workshop	[REDACTED]	[REDACTED]	[REDACTED]
Strengthening our manpower			
To handle the growing number of sizeable E&M engineering projects to be undertaken after strengthening our financial position with the **[REDACTED]** of the **[REDACTED]**			
– 18 months' salaries for ten additional full-time staff	[REDACTED]	[REDACTED]	[REDACTED]
– Rent for extra staff quarters	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]		**Percentage of [REDACTED]**
	HK$ million (MOP million)	*%*
To work in the E&M maintenance department to be established with the **[REDACTED]** of the **[REDACTED]**		
– 18 months' salaries for six additional full-time staff	[REDACTED]	[REDACTED]
– Rent for extra staff quarters	[REDACTED]	[REDACTED]
General working capital	[REDACTED]	[REDACTED]
Total:	[REDACTED]	[REDACTED]

We target to commence the implementation of our future plans from the **[REDACTED]** and complete them within one year after **[REDACTED]**.

The above allocation of the **[REDACTED]** from the **[REDACTED]** will be adjusted on a pro rata basis in the event that the **[REDACTED]** is fixed at the high-end or the low-end compared to the mid-point of the indicative **[REDACTED]**.

In the event that the **[REDACTED]** is exercised in full, we intend to apply the additional **[REDACTED]** from the **[REDACTED]** for the above uses in the same proportions stated above.

To the extent that the **[REDACTED]** of the **[REDACTED]** which are not immediately applied for the above purposes, we currently intend to deposit such **[REDACTED]** into interest-bearing bank accounts with licensed banks and/or financial institutions in Macau and/or Hong Kong.

We will issue an announcement in the event that there is any material change in the use of **[REDACTED]** of the **[REDACTED]** as set out above.

Breakeven period and investment payback period for establishing an E&M maintenance department

The following table sets out the calculation of the breakeven period and investment payback period for establishing an E&M maintenance department and the assumptions involved:

Assumptions	Expenditure	Breakeven period and investment payback period *(Note 4)*
– Gross profit margin of providing E&M maintenance works is same as the gross profit margin of our Group in FY2018 (with reference to the aforesaid 12 projects involving E&M maintenance works *(Note 1)*) – Employment of one project manager, two engineers and three foremen will be carried out by stages with reference to the business growth of the E&M maintenance department such that the aforesaid gross profit margin of providing E&M maintenance works will be maintained – A ramp-up period of ten months starting from 1% of the monthly revenue of our Group is attributable to providing E&M maintenance works for the first month of operation of the E&M maintenance department to 10% of the tenth month with 1% increment by month – 10% of the revenue of our Group is attributable to providing E&M maintenance works after the ramp-up period of the operation of the E&M maintenance department – After the ramp-up period, 12.2% annual growth of revenue for each subsequent year of operation of the E&M maintenance department *(Note 2)*	For calculation of breakeven period and investment payback period: – Monthly rent for staff quarters at approximately MOP40,000 – Monthly mortgage interest expenses of the workshop at approximately MOP16,000 – Monthly administrative expenses at approximately 3% of the monthly revenue of the E&M maintenance department *(Note 3)* For calculation of investment payback period only: – Refurbishing cost of the workshop at approximately MOP4.1 million – Stamp duty for acquiring the workshop at approximately MOP347,000 – Payment for acquiring machines and equipment at approximately MOP5.2 million	Breakeven period is expected to be approximately two months after the commencement of operation of the E&M maintenance department Investment payback period is expected to be approximately 2.5 years after the commencement of operation of the E&M maintenance department

Notes:

1. Please refer to the paragraph headed "Business strategies – Establishing an E&M maintenance department" in this section.

2. According to the Frost & Sullivan Report, it is expected that the revenue of the E&M engineering industry in the repair and maintenance segment is estimated to reach approximately HK$5.7 billion, with a CAGR of approximately 12.2% from 2019 to 2023.

3. This is estimated with reference to the average percentage of our administrative expenses over our revenue during the Track Record Period.

4. Breakeven is considered as the first month since commencement of operation where the monthly cash inflow of the E&M maintenance department can cover its monthly cash in nature operating cost, while investment payback is considered as the first instance where the accumulated net cash inflow since commencement of operation can cover the total initial investment amount for the establishment of the E&M maintenance department.

REASONS FOR THE [REDACTED]

In order to fully implement our business strategies, our Directors consider that we shall need to go for **[REDACTED]** because of the following reasons:

Our cash level is only sufficient to maintain our existing operation and is inadequate for our business strategies

We rely on cash generated from our operations as our principal source of funds. Our bank balances and cash were subject to fluctuations during the Track Record Period and are expected to continue to fluctuate during the course of our business.

As at 31 July 2019, our bank balances and cash were approximately MOP28.5 million. Taking into account the general working capital to be satisfied by the **[REDACTED]** from the **[REDACTED]** at approximately MOP**[REDACTED]**, it is estimated that our cash level will be enhanced to approximately MOP29.2 million. Nevertheless, our Directors consider that our cash level is only sufficient to maintain our existing operation and is inadequate for our business strategies. The followings are the analysis:

– Based on the financial information for FY2018, our monthly direct cost and administrative expenses amounted to approximately MOP11.3 million per month, our Directors consider that our Group should maintain a cash level of at least three months of our direct cost and administrative expenses in the total of approximately MOP33.9 million.

– With the aforesaid three-month cash reserves for our direct cost and administrative expenses, there will be no remaining cash level to be used to satisfy the upfront cost and performance bond requirements of our On-going Project P15, which is considered by our Directors that our bank balances and cash is significantly inadequate because just only the outstanding performance bond requirements (while not counting the upfront cost) of our On-going Project P15 has already amounted to approximately

MOP8.3 million (and not counting the outstanding performance bond requirements of Projects P1 and P13 at approximately MOP3.6 million and MOP16.9 million respectively which are estimated to be satisfied by our internal resources after the Track Record Period and before **[REDACTED]**).

– We currently do not have any banking loan facility. As per our Directors' communication with our Macau bank, even with our Macau office as security, the amount of loan facility able to be granted by the bank at the current stage is only approximately from MOP5 million to MOP8 million. As such, given the limited loan amount able to be granted by the bank, our Directors consider that resorting our capital requirement to debt financing only is inadequate for our business strategies and we shall need to proceed for equity financing by way of **[REDACTED]** in order to satisfy our capital requirement.

– Even with the **[REDACTED]** of the **[REDACTED]**, only approximately **[REDACTED]**% of our estimated upfront cost requirements of our On-going Projects and Estimated Future Awarded Projects at approximately MOP**[REDACTED]** and approximately **[REDACTED]**% of our estimated performance bond requirements of our On-going Projects and Estimated Future Awarded Projects at approximately MOP**[REDACTED]**, will be satisfied by the **[REDACTED]** from the **[REDACTED]**, while the shortfalls at MOP**[REDACTED]** and MOP**[REDACTED]**, respectively will still need to be satisfied by our internal resources.

In view of the above, our current cash level is inadequate to cater entirely for our business strategies. Without the **[REDACTED]** of the **[REDACTED]**, our Directors consider that (i) we can only maintain the current business level of working on our On-going Projects as at the Latest Practicable Date; (ii) we have to adopt a conservative strategy in the quotations/tenders negotiation with our customers regarding our Potential Projects to avoid excessive workload (for example, to directly indicate to our customers our necessity to increase the bidding price); and (iii) we will be much less proactive in submitting any further quotations/tenders regarding the Further Potential Projects or even cease to submit any further quotations/tenders by FY2019 at all. Needless to say, the business strategies of establishing an E&M maintenance department and strengthening our manpower have to be abandoned as well.

[REDACTED] can enhance our corporate profile and competitiveness

From our Directors' previous experience, our customers in E&M engineering industry in Macau are inclined to give preference to contractors who have a **[REDACTED]** status in Hong Kong. Needless to say that a **[REDACTED]** applicant in Hong Kong needs to go through an extremely rigorous, robust and comprehensive scrutinisation and vetting process by the relevant authorities in order to achieve the **[REDACTED]** status of the Stock Exchange, and further, maintaining the **[REDACTED]** status a **[REDACTED]** company shall be subject to the strict, on-going and continuous compliance of the Listing Rules and other applicable laws and regulations. Therefore, a Hong Kong **[REDACTED]** company has always given the market a solid perception of transparent financial disclosure, established internal control and stringent regulatory supervision, thereby achieving a better reputation over the other **[REDACTED]** industry peers.

Therefore, we are confident that a **[REDACTED]** status in Hong Kong will reinforce our image, and enhance the confidence of our business stakeholders in the E&M engineering industry in Macau including customers, suppliers and subcontractors, who we believe, are more willing to establish business relationships with listed companies. After **[REDACTED]**, we also expect to benefit from the perception of other stakeholders in respect of good corporate governance and internal control, and generate reassurance among business stakeholders in the market.

[REDACTED] will allow us to gain access to the capital market for future business development

[REDACTED] will allow us to gain access to the capital market for fundraising, and assist our future business development thereby enhancing our competitiveness. We will be able to use secondary fundraising after the **[REDACTED]** for our future expansion plans and when necessary, through the issuance of equity and/or debt securities. While we will continue to obtain funding in the form of banking facilities after the **[REDACTED]** alongside with equity financing, our Directors believe that we would be in a better position to negotiate with banks and financial institutions if we are a **[REDACTED]** company with an enlarged capital base. Our Directors also believe that the use of equity financing will avoid the risk of high interest rate generally associated with debt financing which exposes us to increase in financial cost in the future.

BASES AND ASSUMPTIONS

The future plans set out by our Directors are based on the following bases and assumptions:

- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the future plans relate;
- there will be no material changes in existing laws, rules and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no change in the funding requirement for each of the near term future plans described in the document from the amount as estimated by our Directors;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the business or operations of our Group;
- there will be no change in the effectiveness of the qualifications and licences obtained by our Group; and
- we will not be materially affected by the risk factors as set out in the section headed "Risk Factors" in the document.

There can be no assurance that the **[REDACTED]** from the **[REDACTED]** will be sufficient for fully implementing our business expansion plan. In the event that the **[REDACTED]** from the **[REDACTED]** is insufficient, we will continue to implement our business plan through our internal funds and/or seek alternative source of funding at higher finance cost such as obtaining loans from non-traditional financial institutions.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The following is the text of a report set out on pages I-1 to I-58, received from the Company's reporting accountants, [Deloitte Touche Tohmatsu], Certified Public Accountants, Hong Kong, for the purpose of incorporation in the document.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SEM HOLDINGS LIMITED AND AMPLE CAPITAL LIMITED

Introduction

We report on the historical financial information of SEM Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-58, which comprises the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 July 2019 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended 31 December 2018 and for the seven months ended 31 July 2019 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-58 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated **[REDACTED]** (the "Document") in connection with the initial **[REDACTED]** 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 set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' 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 set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors 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 and the Company's financial position as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 July 2019 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in note 1 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 seven months ended 31 July 2018 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in note 1 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 set out in note 1 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 12 to the Historical Financial Information which states that no dividends have been declared or paid by the Company in respect of the Track Record Period.

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong
[REDACTED]

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 Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards of Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in Macau Pataca ("MOP"), which is also the functional currency of the Company, and all values are rounded to the nearest thousand (MOP'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December			Seven months ended 31 July	
		2016	2017	2018	2018	2019
	NOTES	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000* (unaudited)	*MOP'000*
Revenue	5	139,686	207,913	185,229	118,643	110,044
Cost of sales		(105,895)	(156,713)	(128,888)	(87,257)	(78,024)
Gross profit		33,791	51,200	56,341	31,386	32,020
Other income	7	206	100	123	14	38
Impairment loss	8	–	–	–	–	(216)
Administrative expenses		(4,561)	(5,909)	(6,275)	(3,169)	(5,829)
Interest on lease liabilities		(83)	(75)	(36)	(27)	(51)
[REDACTED]	9	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Profit before taxation	9	23,022	44,909	48,413	26,814	10,977
Taxation	11	(3,763)	(6,010)	(6,927)	(3,698)	(3,663)
Profit and total comprehensive income for the year/period		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Earnings per share *(MOP cent)*						
Basic	13	1.16	2.33	2.50	1.39	0.49

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 July
		2016	2017	2018	2019
	NOTES	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Non-current assets					
Property, plant and equipment	14	1,145	1,038	15,374	16,059
Pledged bank deposits	19	3,134	22,541	–	–
		4,279	23,579	15,374	16,059
Current assets					
Trade and other receivables	16	40,293	19,429	42,607	46,099
Contract assets	17	24,373	39,453	50,964	55,755
Amount due from a director	18	90	1,013	1,012	1,023
Amount due from immediate holding company	18	473	483	586	586
Amounts due from related companies	18	8,017	213	213	–
Pledged bank deposits	19	–	–	29,021	29,366
Time deposit	19	20,000	7,000	7,371	7,041
Bank balances and cash	19	23,481	45,064	26,951	28,530
		116,727	112,655	158,725	168,400
Current liabilities					
Trade and other payables	20	45,115	19,242	17,401	29,550
Contract liabilities	17	2,485	1,505	14,539	1,574
Lease liabilities	21	819	802	672	955
Amounts due to directors	22	209	386	360	–
Amounts due to related companies	22	2,270	460	164	–
Taxation payable		5,428	10,260	9,823	13,486
		56,326	32,655	42,959	45,565
Net current assets		60,401	80,000	115,766	122,835
Total assets less current liabilities		64,680	103,579	131,140	138,894
Non-current liabilities					
Lease liabilities	21	–	–	–	440
		64,680	103,579	131,140	138,454
Capital and reserves					
Share capital	23	516	516	464	464
Reserves		64,164	103,063	130,676	137,990
		64,680	103,579	131,140	138,454

STATEMENTS OF FINANCIAL POSITION

		As at 31 December			As at 31 July
		2016	2017	2018	2019
	NOTES	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Non-current assets					
Property, plant and equipment	14	–	–	–	431
Investment in a subsidiary	15	1	1	1	1
		1	1	1	432
Current assets					
Other receivables	16	554	554	554	5,082
Amount due from immediate holding company	18	473	483	586	586
Amounts due from subsidiaries	18	193	72	278	–
Bank balances and cash	19	3,411	3,219	1,855	3,286
		4,631	4,328	3,273	8,954
Current liabilities					
Other payables	20	–	–	–	3,684
Lease liability	21	–	–	–	227
Amount due to a subsidiary	22	236	415	15,163	32,255
Amount due to a related company	22	53	–	–	–
		289	415	15,163	36,166
Net current assets (liabilities)		4,342	3,913	(11,890)	(27,212)
Total assets less current liabilities		4,343	3,914	(11,889)	(26,780)
Non-current liability					
Lease liability	21	–	–	–	208
		4,343	3,914	(11,889)	(26,988)
Capital and reserves					
Share capital	23	516	516	464	464
Reserves	24	3,827	3,398	(12,353)	(27,452)
		4,343	3,914	(11,889)	(26,988)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				
	Share capital *MOP'000*	**Share premium** *MOP'000*	**Legal reserve** *MOP'000 (note)*	**Accumulated profits** *MOP'000*	**Total** *MOP'000*
At 1 January 2016	464	–	13	34,629	35,106
Profit and total comprehensive income for the year	–	–	–	19,259	19,259
Issue of shares *(note 23)*	52	10,263	–	–	10,315
At 31 December 2016	516	10,263	13	53,888	64,680
Profit and total comprehensive income for the year	–	–	–	38,899	38,899
At 31 December 2017	516	10,263	13	92,787	103,579
Profit and total comprehensive income for the year	–	–	–	41,486	41,486
Repurchase of shares *(note 23)*	(52)	(10,263)	–	(3,610)	(13,925)
At 31 December 2018	464	–	13	130,663	131,140
Profit and total comprehensive income for the period	–	–	–	7,314	7,314
At 31 July 2019	464	–	13	137,977	138,454
At 1 January 2018	516	10,263	13	92,787	103,579
Profit and total comprehensive income for the period (unaudited)	–	–	–	23,116	23,116
At 31 July 2018 (unaudited)	516	10,263	13	115,903	126,695

Note: In accordance with the Article 377 of the Commercial Code of Macau Special Administrative Region of the People's Republic of China ("Macau"), the company registered in Macau is required to transfer part of its profits of each accounting period of not less than 25% to legal reserve, until the amount reaches half of its share capital.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Seven months ended 31 July	
	2016	2017	2018	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* (unaudited)	*MOP'000*
Operating activities					
Profit before taxation	23,022	44,909	48,413	26,814	10,977
Adjustments for:					
Depreciation of property, plant and equipment	975	1,572	1,530	770	1,142
Interest income	(71)	(69)	(123)	(14)	(34)
Impairment loss recognised on trade receivables	–	–	–	–	216
Interest on lease liabilities	83	75	36	27	51
Operating cash flows before movements in working capital	24,009	46,487	49,856	27,597	12,352
(Increase) decrease in trade and other receivables	(24,060)	25,462	(23,178)	(30,302)	748
(Increase) decrease in contract assets/liabilities, net	(5,015)	(16,060)	1,523	(5,735)	(17,756)
Increase (decrease) in trade and other payables	32,275	(25,873)	(1,841)	1,140	11,234
Cash from (used in) operations	27,209	30,016	26,360	(7,300)	6,578
Income tax paid	(2,094)	(1,178)	(7,364)	–	–
Net cash from (used in) operating activities	25,115	28,838	18,996	(7,300)	6,578
Investing activities					
Repayment from a director	242	–	11	–	–
Advance to a director	–	(923)	(10)	–	(11)
Purchase of property, plant and equipment	(243)	(17)	(14,621)	(320)	(288)
Advance to immediate holding company	(9)	(10)	(103)	(52)	–
Repayment from related companies	13,595	5,415	–	–	213
Advance to related companies	(108)	(2,209)	–	–	–
Placement of pledged bank deposits	(39)	(19,407)	(6,480)	–	(345)
Placement of time deposit	(20,000)	(7,000)	(7,371)	(7,371)	(7,041)
Withdrawal of time deposit	–	20,000	7,000	7,000	7,371
Interest income received	71	69	123	14	34
Net cash used in investing activities	(6,491)	(4,082)	(21,451)	(729)	(67)

	Year ended 31 December			Seven months ended 31 July	
	2016	2017	2018	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* (unaudited)	*MOP'000*
Financing activities					
Repayment of principal on lease liabilities	(898)	(1,465)	(1,375)	(790)	(816)
Repayment of interest on lease liabilities	(83)	(75)	(36)	(27)	(51)
Advance from a director	–	177	360	–	256
Repayment to a director	30	–	(386)	(386)	(616)
Repayment to related companies	(7,980)	(1,810)	(296)	(296)	(164)
Deferred issue costs paid	–	–	–	–	(3,541)
Issue of shares	10,315	–	–	–	–
Repurchase of shares	–	–	(13,925)	–	–
Net cash from (used in) financing activities	1,384	(3,173)	(15,658)	(1,499)	(4,932)
Net increase (decrease) in cash and cash equivalents	20,008	21,583	(18,113)	(9,528)	1,579
Cash and cash equivalents at beginning of the year/period	3,473	23,481	45,064	45,064	26,951
Cash and cash equivalents at end of the year/period, representing bank balances and cash	23,481	45,064	26,951	35,536	28,530

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL AND BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law Chapter 22 of the Cayman Islands on 6 November 2015. The addresses of the registered office and the principal place of business of the Company are set out in the section headed "Corporate Information" of the Document. The immediate holding company of the Company is SEM Enterprises Limited ("SEM Enterprises"), which was incorporated in the British Virgin Islands (the "BVI").

The Company acts as an investment holding company and its subsidiaries are principally engaged in provision of electrical and mechanical engineering services.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there is no statutory audit requirements.

The Historical Financial Information has been prepared based on the accounting policies set out in note 3 which conform with HKFRSs issued by the HKICPA.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing the Historical Financial Information for the Track Record Period, the Group has consistently applied Hong Kong Accounting Standards ("HKASs"), HKFRSs amendments and interpretations issued by HKICPA, including HKFRS 15 "Revenue from Contracts with Customer" and HKFRS 16 "Leases", that are effective for the accounting period beginning on 1 January 2019 throughout the Track Record Period, except that the Group adopted HKFRS 9 "Financial Instruments" since 1 January 2018 and adopted HKAS 39 "Financial Instruments: Recognition and Measurement" for the two years ended 31 December 2017. The accounting policies for financial instruments under HKFRS 9 are set out in note 3 below.

HKFRS 9 "Financial Instruments" and the related amendments

The Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs for the year ended 31 December 2018 and the seven months ended 31 July 2019. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and contract assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) 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 difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018, if any, are recognised in the opening accumulated profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39.

Summary of effects arising from initial application of HKFRS 9

Classification and measurement of financial assets

All financial assets and financial liabilities continue to be measured on the same bases as were previously measured under HKAS 39.

Impairment under ECL model

Upon the initial adoption of HKFRS 9 on 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

The Group has applied the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for its trade receivables and contract assets. Trade receivables and contract assets have been assessed individually. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore estimated the expected loss rates for the trade receivables and the contract assets on the same basis. Details are set out in notes 16 and 17 respectively.

Loss allowances for other financial assets at amortised cost mainly comprise of deposits, other receivable, amounts due from a director, immediate holding company, related companies and subsidiaries, pledged bank deposits, time deposit and bank balances and cash, are measured on 12-month ECL ("12m ECL") basis as there had been no significant increase in credit risk since initial recognition. Details are set out in note 28.

As at 1 January 2018, the expected loss allowance as compared to the incurred loss model of HKAS 39 "Financial Instruments: Recognition and Measurement" did not result in a material difference and hence did not result in an adjustment of opening accumulated profits.

HKFRS 16 "Leases"

The Group applied HKFRS 16 on 1 January 2016. On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate.

On the date of initial application of HKFRS 16, the associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statements of financial position.

Each lease payment is allocated between the principal repayment of lease liability and finance cost. The finance cost is charged to the consolidated statements of profit or loss and other comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

The Group has applied HKFRS 16 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application. Furthermore, in accordance with the transition provisions in HKFRS 16, the Group has used the practical expedient not to recognise right-of-use assets with less than 12 months of lease term.

Summary of effects arising from initial application of HKFRS 16

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 5% as at 1 January 2016.

	MOP'000
Operating lease commitments as at 31 December 2015	1,459
Recognition exemption for short-term leases	(709)
	750
Discounting effect using the incremental borrowing rate as at 1 January 2016	(72)
Lease liabilities recognised as at 1 January 2016	678

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 3	Definition of a Business[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

[1] Effective for annual periods beginning on or after a date to be determined

[2] Effective for annual periods beginning on or after 1 January 2021

[3] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

[4] Effective for annual periods beginning on or after 1 January 2020

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Group in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis. 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 the market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such basis, except for share-based payment

transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKFRS 16, and measurement that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 and 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follow:

- Level 1 inputs are quoted price (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset and liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Investment in a subsidiary

Investment in a subsidiary is included in the Company's statements of financial position and is stated at cost less any identified impairment loss.

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 services of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; or
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Revenue from electrical and mechanical engineering services is described in the accounting policy on construction contracts below.

Construction contracts

Revenue from electrical and mechanical engineering services is recognised over time during the course of construction by reference to the progress towards complete satisfaction at the end of each reporting period. Progress towards complete satisfaction is measured on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation (i.e. contract costs incurred for work performed to date) relative to the total expected inputs to the satisfaction of that performance obligation (i.e. total estimated contract cost), that best depict the Group's performance in transferring control of goods or services.

For construction contracts that contain variable consideration such as variations in contract work, claims and incentive payment, 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 contract only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved. At the end of each reporting period, the Group updates the estimated

transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the changes in circumstances during year/period.

The contract assets on construction contracts represent the Group's right to consideration for work completed and not billed as the rights are conditioned on the Group's future performance in satisfying the respective performance obligations. The contract liabilities on construction contracts represent the Group's obligation to transfer electrical and mechanical engineering services to customers for which the Group has received consideration from the customers.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties of the contract.

Notwithstanding the above, a contract does not have a significant financing component in circumstances where payment in advance or in arrear are in accordance with the typical payment terms of the relevant industry, which has a primary purpose other than financing.

Property, plant and equipment

Property, plant and equipment including right-of-use assets and buildings held for own use in the production or supply of goods or services, or for administrative purpose are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Right-of-use assets for buildings are depreciated over their expected useful lives on the same basis as owned. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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 assets other than financial 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 these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of assets are estimated individually, or when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where 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.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits, other receivable, amounts due from a director, immediate holding company, related companies and subsidiaries, pledged bank deposits, time deposit and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets (before application of HKFRS 9 on 1 January 2018)

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contracts, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the general credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

In a subsequent period, if the amount of the 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 of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. 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 from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired,

interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Impairment of financial assets (upon application of HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, contract assets, deposits, other receivable, amounts due from a director, immediate holding company, related companies and subsidiaries, pledged bank deposits, time deposit and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 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. Assessments 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 internal credit rating and credit loss rate, if applicable, 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 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 measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at each reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether the credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in 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 aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default; (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

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).

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial assets have been occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice when appropriate. Any recoveries made are recognised in profit or loss.

(iv) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is 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 effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account.

Financial liabilities and equity

Classification of debt or equity

Debt and equity instruments that are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instruments.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at amortised cost

The Group's financial liabilities including trade and other payables and amounts due to a director, related companies and a subsidiary 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, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or 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.

Taxation

Taxation 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 income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business consolidation) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in a subsidiary, 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 investment 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 rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing on 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 term 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, as recognised in profit or loss in the period in which they arise.

Leasing

The Group as lessee

The Group leases various properties to provide staff quarters to its employees. Property leases are typically made for fixed periods of one year. Lease terms are negotiated on an individual basis and contain various different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee at the lease commencement date, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the option; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments changes due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under HKAS 37 "Provisions, contingent liabilities and contingent assets". The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful live of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in property, plant and equipment in the consolidated statements of financial position.

The Group applies HKAS 36 to determine whether the right-of-use asset is impaired and accounts for any identified impairment loss as described above.

As a practical expedient, HKFRS 16 permits a lessee not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single component. The Group has not used this practical expedient.

Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong and the Social Security Fund Contribution in Macau are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages, salaries and annual leave) after deducting any amount already paid.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following is the key assumption concerning the future, and other key sources of estimation uncertainty at the end of each reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next twelve months.

Electrical and mechanical engineering contracts

The Group reviews and revises the estimated total costs to complete the satisfaction of these services and the margin of each project as the contract progresses. Budgeted costs and margin are prepared by the management of the Group on the basis of quotations from time to time provided by the subcontractors, suppliers or vendors involved and the experience of the management of the Group. In order to keep the budget accurate and up-to-date, the management of the Group conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the profit recognised in each period.

Recognised amounts of revenue from electrical and mechanical engineering contracts and related receivables reflect the management's best estimate of each contract's outcome and stage of completion, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going electrical and mechanical engineering 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 may be higher or lower than estimated at the end of each reporting period, which would affect the revenue and profit recognised in future years and adjustment to the amounts recorded to date.

5. REVENUE

Revenue represents the fair value of amounts received and receivable from the provision of electrical and mechanical engineering services by the Group to external customers which is recognised over time as the Group's contract work enhances an asset that the external customers control as the Group performed. The Group's revenue is derived from provision of electrical and mechanical engineering services in Macau during the Track Record Period.

	Year ended 31 December			Seven months ended 31 July	
	2016	**2017**	**2018**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* (unaudited)	*MOP'000*
Provision of electrical and mechanical engineering services	139,686	207,913	185,229	118,643	110,044

The customers of the Group are mainly main contractors and subcontractors in Macau. Contracts with the Group's customers are mainly fixed-price contracts, except for the variation orders.

Disaggregation of revenue

	Year ended 31 December			Seven months ended 31 July	
By property type	**2016**	**2017**	**2018**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* (unaudited)	*MOP'000*
Hotels and casino	101,747	116,707	89,960	60,431	77,665
Residential properties	1,320	1,067	4,350	168	6,648
Commercial properties	31,722	90,139	89,727	57,932	24,002
Others	4,897	–	1,192	112	1,729
	139,686	207,913	185,229	118,643	110,044

Transaction price allocated to the remaining performance obligations for contracts with customers

The transaction price in respect of provision of electrical and mechanical engineering services allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) at the end of each reporting period and the expected timing of recognising revenue are as follows:

	As at 31 December			As at 31 July
	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Within one year	207,913	114,259	53,409	180,160
More than one year but not more than two years	102,948	26,312	–	45,638
More than two years	17,641	–	–	–
	328,502	140,571	53,409	225,798

6. SEGMENT INFORMATION

The Group is engaged in a single operating segment focusing on the provision of electrical and mechanical engineering services. This operating segment has been identified on the basis of internal management reports that are regularly reviewed by the directors of the Company, being the chief operating decision makers, for the purpose of result allocation and performance assessment. Therefore, no further analysis of segment information is presented.

Geographical information

The Group's revenue is all derived from operation in Macau and the Group's non-current assets are all located in Macau.

Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group during the Track Record Period are as follows:

	Year ended 31 December			Seven months ended 31 July	
	2016	2017	2018	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* (unaudited)	*MOP'000*
Customer a	63,476	147,214	65,744	53,432	38,267
Customer b	47,229	38,624	47,264	28,109	39,025
Customer c	N/A*	Nil	42,169	20,224	13,845

* The corresponding revenue did not contribute over 10% of the total revenue of the Group.

7. OTHER INCOME

	Year ended 31 December			Seven months ended 31 July	
	2016	2017	2018	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* (unaudited)	*MOP'000*
Interest income	71	69	123	14	34
Others	135	31	–	–	4
	206	100	123	14	38

8. IMPAIRMENT LOSS

	Year ended 31 December			Seven months ended 31 July	
	2016	2017	2018	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* (unaudited)	*MOP'000*
Impairment loss recognised on trade receivables	–	–	–	–	216

9. PROFIT BEFORE TAXATION

	Year ended 31 December			Seven months ended 31 July	
	2016	**2017**	**2018**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* (unaudited)	*MOP'000*
Profit before taxation has been arrived at after charging:					
Director's remuneration *(note 10)*	976	1,514	1,707	760	1,228
Other staff costs					
– salaries and other allowance	2,500	3,354	3,169	1,641	3,148
– retirement benefit scheme contributions	57	51	50	28	76
Total staff costs	3,533	4,919	4,926	2,429	4,452
Less: staff costs included in cost of services	(932)	(1,372)	(1,014)	(581)	(560)
	2,601	3,547	3,912	1,848	3,892
Auditor's remuneration	–	12	13	–	–
Depreciation of property, plant and equipment	975	1,572	1,530	770	1,142
[REDACTED] *(note)*	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Short-term leases payments	686	58	248	149	151

Note: Included in **[REDACTED]** for the years ended 31 December 2016, 31 December 2017 and 31 December 2018 and the seven months ended 31 July 2018 and 31 July 2019 were professional fees of MOP**[REDACTED]**, **[REDACTED]**, MOP**[REDACTED]**, MOP**[REDACTED]** (unaudited) and **[REDACTED]**, which were incurred in relation to a previous potential **[REDACTED]** exercise that was fully expensed during the Track Record Period.

10. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

(a) Directors' and the chief executive's emoluments

Mr. Woo Chu Fai and Mr. Yu Chi Kwan were appointed as executive directors of the Company on 29 March 2016 and 1 August 2018, respectively. Mr. Wong Man Wai, Thomas was appointed and resigned as an executive director of the Company on 29 March 2016 and 1 August 2018, respectively. Mrs. Kan Wan Wai Yee Mavis was appointed as non-executive director on 29 March 2016. The emoluments paid or payable to the directors and chief executive of the Company (including emoluments for services as director/employee of the group entities prior to becoming the directors of the Company) during the Track Record Period are as follows:

Year ended 31 December 2016

	Fees	Salaries and other allowance	Performance related incentive payments	Retirement benefit scheme contributions	Total
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Executive directors					
Mr. Woo Chu Fai	–	394	–	15	409
Mr. Wun Chi Wai	–	–	–	–	–
Mr. Yu Chi Kwan	–	251	–	13	264
Mr. Wong Man Wai Thomas	–	291	–	12	303
Non-executive directors					
Mr. Wan Man Keung	–	–	–	–	–
Mrs. Kan Wan Wai Yee Mavis	–	–	–	–	–
Total emoluments	–	936	–	40	976

Year ended 31 December 2017

	Fees	Salaries and other allowance	Performance related incentive payments	Retirement benefit scheme contributions	Total
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Executive directors					
Mr. Woo Chu Fai	–	305	309	14	628
Mr. Wun Chi Wai	–	–	–	–	–
Mr. Yu Chi Kwan	–	408	–	18	426
Mr. Wong Man Wai Thomas	–	332	113	15	460
Non-executive directors					
Mr. Wan Man Keung	–	–	–	–	–
Mrs. Kan Wan Wai Yee Mavis	–	–	–	–	–
Total emoluments	–	1,045	422	47	1,514

Year ended 31 December 2018

	Fees	Salaries and other allowance	Performance related incentive payments	Retirement benefit scheme contributions	Total
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Executive directors					
Mr. Woo Chu Fai	–	511	–	17	528
Mr. Wun Chi Wai	–	228	–	8	236
Mr. Yu Chi Kwan	–	505	–	19	524
Mr. Wong Man Wai Thomas	–	401	–	18	419
Non-executive directors					
Mr. Wan Man Keung	–	–	–	–	–
Mrs. Kan Wan Wai Yee Mavis	–	–	–	–	–
Total emoluments	–	1,645	–	62	1,707

Seven months ended 31 July 2018 (unaudited)

	Fees	Salaries and other allowance	Performance related incentive payments	Retirement benefit scheme contributions	Total
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Executive directors					
Mr. Woo Chu Fai	–	196	–	10	206
Mr. Wun Chi Wai	–	–	–	–	–
Mr. Yu Chi Kwan	–	286	–	11	297
Mr. Wong Man Wai Thomas	–	247	–	10	257
Non-executive directors					
Mr. Wan Man Keung	–	–	–	–	–
Mrs. Kan Wan Wai Yee Mavis	–	–	–	–	–
Total emoluments	–	729	–	31	760

Seven months ended 31 July 2019

	Fees	Salaries and other allowance	Performance related incentive payments	Retirement benefit scheme contributions	Total
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Executive directors					
Mr. Woo Chu Fai	–	308	309	11	628
Mr. Wun Chi Wai	–	265	–	10	275
Mr. Yu Chi Kwan	–	314	–	11	325
Non-executive directors					
Mr. Wan Man Keung	–	–	–	–	–
Mrs. Kan Wan Wai Yee Mavis	–	–	–	–	–
Total emoluments	–	887	309	32	1,228

Notes:

(i) Mr. Woo Chu Fai acts as the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

(ii) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group.

(iii) The performance related incentive payments are determined based on the performance of the individual and the Group's performance and profitability.

(b) Employees' emoluments

The five highest paid individuals include 3, 3, 3, 3 (unaudited) and 1 directors of the Company for the years ended 31 December 2016, 31 December 2017 and 31 December 2018 and the seven months ended 31 July 2018 and 31 July 2019, respectively, details of whose emoluments are included above. The emoluments of the remaining highest paid individuals were as follows:

	Year ended 31 December			Seven months ended 31 July	
	2016	2017	2018	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* (unaudited)	*MOP'000*
Employees					
– salaries and other allowance	891	667	684	370	1,355
– performance related incentive payments	–	–	–	–	309
– retirement benefit scheme contributions	16	–*	15	8	42
	907	667	699	378	1,706

* *Amount less than MOP1,000*

The emoluments of the aforesaid employees were within the following bands:

	Year ended 31 December			Seven months ended 31 July	
	2016	2017	2018	2018	2019
	Number of employees	*Number of employees*	*Number of employees*	*Number of employees* (unaudited)	*Number of employees*
Nil to HK$1,000,000	2	2	2	2	4

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company waived or agreed to waive any emoluments during the Track Record Period.

11. TAXATION

	Year ended 31 December			Seven months ended 31 July	
	2016	2017	2018	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* (unaudited)	*MOP'000*
Macau Complementary Tax					
Current Tax	3,763	6,002	6,948	3,698	3,663
Under(over)provision in prior years	–	8	(21)	–	–
	3,763	6,010	6,927	3,698	3,663

Macau Complementary Tax is calculated at 12% of the estimated assessable profits exceeding MOP600,000 for the Track Record Period.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Track Record Period. On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. No provision of Hong Kong Profits Tax was made as the subsidiaries in Hong Kong has no assessable income during the Track Record Period.

Taxation for the Track Record Period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Seven months ended 31 July	
	2016	**2017**	**2018**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* (unaudited)	*MOP'000*
Profit before taxation	23,022	44,909	48,413	26,814	10,977
Tax at Macau Complementary Tax rate of 12%	2,763	5,389	5,810	3,218	1,317
Tax effect of expenses not deductible for tax purpose *(Note)*	1,072	757	1,210	522	2,388
Under(over)provision in prior years	–	8	(21)	–	–
Special complementary tax incentive	(72)	(144)	(72)	(42)	(42)
Taxation for the year/period	3,763	6,010	6,927	3,698	3,663

Note: Expenses not deductible mainly represent **[REDACTED]** incurred by the Company and administrative expenses incurred by the Group's investment holding companies which were not in the production of assessable profit.

12. DIVIDENDS

No dividend was declared or paid by the Company during the Track Record Period.

13. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company for the Track Record Period is based on the following data:

	Year ended 31 December			Seven months ended 31 July	
	2016	**2017**	**2018**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* (unaudited)	*MOP'000*
Earnings					
Profit for the year/period attributable to owners of the Company for the purpose of basic earnings per share	19,259	38,899	41,486	23,116	7,314
	Number of shares	**Number of shares**	**Number of shares**	**Number of shares**	**Number of shares**
	'000	*'000*	*'000*	*'000* (unaudited)	*'000*
Weighted average number of shares					
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,663,479	1,666,667	1,660,731	1,666,667	1,500,000

The weighted average number of shares for the purpose of calculating basis earnings per share has been determined on the assumption that the **[REDACTED]** as described in the section headed "Share Capital" in the document have been effective on 1 January 2016. The weighted average number of shares for calculating basic earning per share was taken into account of share issue as at 8 January 2016 and share repurchase as at 19 December 2018, respectively. Detail as described in the section headed "Share Capital" in the document.

No diluted earnings per share for the Track Record Period was presented as there were no potential ordinary shares in issue during the Track Record Period.

14. PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Right-of-use assets for buildings	Leasehold improvements	Furniture and fixtures	Office equipment	Motor vehicles	Total
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
COST							
At 1 January 2016	–	678	–	112	326	55	1,171
Additions	–	1,039	–	8	235	–	1,282
At 31 December 2016	–	1,717	–	120	561	55	2,453
Additions	–	1,448	–	–	17	–	1,465
At 31 December 2017	–	3,165	–	120	578	55	3,918
Additions	14,005	1,245	252	–	44	320	15,866
At 31 December 2018	14,005	4,410	252	120	622	375	19,784
Additions	–	1,539	183	–	105	–	1,827
At 31 July 2019	14,005	5,949	435	120	727	375	21,611
DEPRECIATION							
At 1 January 2016	–	–	–	109	213	11	333
Provided for the year	–	883	–	2	79	11	975
At 31 December 2016	–	883	–	111	292	22	1,308
Provided for the year	–	1,472	–	2	87	11	1,572
At 31 December 2017	–	2,355	–	113	379	33	2,880
Provided for the year	93	1,264	17	2	79	75	1,530
At 31 December 2018	93	3,619	17	115	458	108	4,410
Provided for the period	163	812	68	1	54	44	1,142
At 31 July 2019	256	4,431	85	116	512	152	5,552
CARRYING VALUES							
At 31 December 2016	–	834	–	9	269	33	1,145
At 31 December 2017	–	810	–	7	199	22	1,038
At 31 December 2018	13,912	791	235	5	164	267	15,374
At 31 July 2019	13,749	1,518	350	4	215	223	16,059

The Company

	Right-of-use assets for buildings *MOP'000*
COST	
At 1 January 2016, 31 December 2016, 2017 and 2018 and 1 January 2019	–
Additions	470
At 31 July 2019	470
DEPRECIATION	
At 1 January 2016, 31 December 2016, 2017 and 2018 and 1 January 2019	–
Provided for the period	39
At 31 July 2019	39
CARRYING VALUES	
At 31 July 2019	431

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Buildings	2%
Right-of-use assets for buildings	Over the lease term
Leasehold improvements	33%
Furniture and fixtures	20%
Office equipment	20%
Motor vehicles	20%

15. INVESTMENT IN A SUBSIDIARY

The Company

	As at 31 December			As at 31 July
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Unlisted investment, at cost	1	1	1	1

At the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation	Place of operations	Issued and fully paid share capital	Attributable equity interest of the Group as at					Principal activities	*Notes*
				31 December			31 July	Date of this report		
				2016	2017	2018	2019			
				%	%	%	%	%		
Directly held:										
SEM Investments Limited	BVI 2 October 2015	Hong Kong	US$1	100	100	100	100	100	Investment holding	(i)
Indirectly held:										
SEM Development Limited	BVI 2 October 2015	Hong Kong	US$1	100	100	100	100	100	Investment holding	(i)
SEM Resources Limited ("SEM Resources")	Hong Kong 5 November 2015	Hong Kong	HK$1	100	100	100	100	100	Provision of administrative support for the Group	(ii)
Ready Systems Engineering Limited	Macau 15 May 2006	Macau	MOP25,000	100	100	100	100	100	Provision of electrical and mechanical engineering services	(i)

All subsidiaries have adopted 31 December as their financial year end date. None of the subsidiaries had any debt securities during the Track Record Period.

Notes:

(i) No statutory audited financial statements have been prepared since its date of incorporation as it was incorporated in a jurisdiction where there are no statutory audit requirements.

(ii) The statutory financial statements of SEM Resources for the period from 5 November 2015 to 31 December 2016 and the years ended 31 December 2017 and 31 December 2018 were prepared in accordance with Hong Kong Financial Reporting Standard for Privates Entities issued by the HKICPA and were audited by Fan, Chan & Co., certified public accountants registered in Hong Kong.

16. TRADE AND OTHER RECEIVABLES

The Group

	As at 31 December			As at 31 July
	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Trade receivables	39,408	9,640	36,655	38,416
Less: Allowance for credit losses	–	–	–	(216)
	39,408	9,640	36,655	38,200
Deposit for a construction contract	–	–	4,800	2,400
Deposits and prepayments	331	4,637	484	424
Deferred issue costs	554	554	554	5,010
Other receivables	–	4,598	114	65
	40,293	19,429	42,607	46,099

The Company

	As at 31 December			As at 31 July
	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Deferred issue costs	554	554	554	5,010
Rental deposit	–	–	–	72
	554	554	554	5,082

The Group usually allows a credit period of 30 to 60 days to its customers. The following is an aging analysis of trade receivables net of allowance for credit losses based on the invoice dates at the end of each reporting period are as follows:

	As at 31 December			As at 31 July
	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Within 30 days	10,061	4,640	18,691	24,128
31 to 60 days	22,081	1,185	9,241	9,330
61 to 90 days	2,142	317	5,105	1,304
Over 90 days	5,124	3,498	3,618	3,438
	39,408	9,640	36,655	38,200

As at 1 January 2016, trade receivables from contracts with customers amounted to MOP15,670,000.

Included in the trade receivables are debtors with a carrying amount of MOP8,128,000, MOP4,014,000, MOP12,597,000 and MOP12,194,000 at 31 December 2016, 31 December 2017, 31 December 2018 and 31 July 2019, respectively, which are past due but not impaired. Out of the past due balances, MOP5,124,000, MOP3,498,000, MOP1,939,000 and MOP929,000 have been past due 90 days or more and is not considered as in default at 31 December 2016, 31 December 2017, 31 December 2018 and 31 July 2019, respectively, because there is no significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances or charge any interest thereon.

Before the application of HKFRS 9 on 1 January 2018, the Group has a policy regarding impairment losses on trade receivables which is based on the evaluation of collectability and aging analysis of accounts and on management's judgement including the current creditworthiness and the past collection history of each customer.

The Group had not provided for impairment loss as at 31 December 2016 and 31 December 2017 before the initial application of HKFRS 9 on 1 January 2018 as the Group considered such balances could be recovered based on historical experience or have been subsequently settled.

Since 1 January 2018, the Group applies the simplified approach to provide for ECL on all trade receivables prescribed by HKFRS 9. To measure the ECL of trade receivables, trade receivables have been assessed individually. The loss allowance provision of the trade receivables as at 31 December 2018 and 31 July 2019 were insignificant.

The following is an aging analysis of the trade receivables which are past due but not impaired:

	As at 31 December			As at 31 July
	2016	**2017**	**2018**	**2019**
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Past due:				
Within 30 days	1,214	516	3,882	7,452
31 to 60 days	1,790	–	5,097	1,304
61 to 90 days	–	–	1,679	2,509
Over 90 days	5,124	3,498	1,939	929
	8,128	4,014	12,597	12,194

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the customers from the date credit was initially granted up to the end of each of the reporting period. The majority of the Group's trade receivables that are past due but not impaired are from customers with good credit quality with reference to respective settlement history and forward-looking information and the Group considers any change in the expected life of the trade receivables at the end of each reporting period. The Group does not hold any collateral over these balances.

Details of impairment assessment on trade receivables and deposits are set out in note 28.

17. CONTRACT ASSETS AND CONTRACT LIABILITIES

The Group

	As at 1 January 2016	As at 31 December 2016	2017	2018	As at 31 July 2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Contract assets					
Provision of electrical and mechanical engineering services	22,451	24,373	39,453	50,964	55,755
Contract liabilities					
Provision of electrical and mechanical engineering services	5,578	2,485	1,505	14,539	1,574

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on quantity surveyors' inspection. The contract assets are transferred to trade receivables when the rights become unconditional.

Typical payment terms which impact on the amount of contract assets recognised are as follows:

The Group's construction contracts include payment schedules which require stage payments over the construction period with reference to surveys of work performed to date. The Group typically transfers the contract assets to trade receivables when the rights become unconditional.

The Group also typically agrees to a defect liability period of 1 year from the date of the practical completion of the construction for 5% to 10% of the contract sum. This amount of retention money is included in contract assets until the end of the defect liability period as the Group's entitlement to this final payment is conditional on completion of defect liability period. The defect liability period serves as an assurance that the construction services performed comply with agreed-upon specifications and such assurance cannot be purchased separately. The Group classifies these contract assets as current because the Group expects to realise them in its normal operating cycle.

Retention money is unsecured, interest-free and recoverable at the end of the defect liability period of 1 years from the date of the completion of respective projects.

The following is an aging analysis of retention money which is to be settled, based on the expiry of defect liability period, at the end of each reporting period.

	As at 31 December 2016	2017	2018	As at 31 July 2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Within one year	15,011	19,328	17,659	18,187

The amount of receipt in advance from a customer is netted off against retention money on a particular contract basis and presented as contract liabilities. For the contract liabilities as at 1 January 2016, 31 December 2016, 31 December 2017, 31 December 2018, MOP5,578,000, MOP2,485,000, MOP1,505,000 and MOP13,890,000 are recognised as revenue in profit or loss during the year ended 31 December 2016, 31 December 2017, 31 December 2018 and the seven months ended 31 July 2019.

The significant increase of contract assets as at 31 December 2017, 31 December 2018 and 31 July 2019 is the result of the increase in completion of certain significant contracts work of electrical and mechanical engineering services.

The significant increase of contract liabilities as at 31 December 2018 is the result of receipt in advance from several customers from certain significant contracts of electrical and mechanical engineering services. The significant decrease of contract liabilities as at 31 July 2019 is the result of the recognition of revenue in profit or loss during the seven months ended 31 July 2019.

The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets. The loss allowance provision of the contract assets as at 31 December 2018 and 31 July 2019 were insignificant.

Details of impairment assessment on contract assets are set out in note 28.

18. AMOUNTS DUE FROM RELATED PARTIES

The Group

Amount due from a director

Details of amount due from a director were stated as follows:

	As at 1 January	As at 31 December			As at	Maximum amount outstanding during the year ended 31 December			Maximum amount outstanding during the seven months ended
	2016	2016	2017	2018	31 July 2019	2016	2017	2018	31 July 2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Mr. Wan Man Keung	332	90	1,013	1,012	1,023	332	1,013	1,023	1,023

The amount is non-trade in nature, unsecured, interest-free and repayable on demand. As represented by the directors of the Company, the amount due from a director will be settled upon the **[REDACTED]**.

Amount due from immediate holding company

The amount is non-trade in nature, unsecured, interest-free and repayable on demand. As represented by the directors of the Company, the amount due from immediate holding company will be settled upon the **[REDACTED]**.

Amounts due from related companies

Details of amounts due from related companies were stated as follows:

							Maximum amount outstanding during			
		As at 1 January	As at 31 December			As at	the year ended 31 December			the seven months ended
		2016	2016	2017	2018	31 July 2019	2016	2017	2018	31 July 2019
	Notes	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Ready System Engineering Limited ("Ready System Engineering")	(i)	21,504	7,909	–	–	–	21,504	7,909	–	–
Ready Engineering Limited	(ii)	–	108	213	213	–	108	213	213	213
		21,504	8,017	213	213	–				

Notes:

(i) The amount was non-trade in nature, unsecured, interest-free and repayable on demand. Mr. Wan Man Keung, a director of the Company, is the controlling shareholder of this company.

(ii) The amount is non-trade in nature, unsecured, interest-free and repayable on demand. Mr. Wan Man Keung, a director of the Company, is the controlling shareholder of this company.

Details of impairment assessment on amounts due from related parties are set out in note 28.

The Company

The amounts due from immediate holding company and subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand. Details of impairment assessment on amounts due from related parties are set out in note 28.

19. PLEDGED BANK DEPOSITS/TIME DEPOSIT/BANK BALANCES AND CASH

The Group and the Company

Pledged bank deposits as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 July 2019 are pledged to secure the performance bonds granted to the Group, which carry interest at prevailing market rate ranged from 0.2% to 0.47% per annum.

Time deposit represents a bank deposit with original maturity date of over three months and the balance as at 31 December 2016, 31 December 2017, 31 December 2018 and 31 July 2019 carried a fixed interest rate of 0.41% per annum.

As at 31 December 2016, 31 December 2017, 31 December 2018 and 31 July 2019, bank balances and cash comprise of cash held and short term bank deposits with an original maturity of three months or less which carry interest at prevailing market rate ranged from 0.01% to 0.34% per annum.

Details of impairment assessment on pledged bank deposits, time deposit and bank balances and cash are set out in note 28.

20. TRADE AND OTHER PAYABLES

The Group

	As at 31 December			As at 31 July
	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Trade payables	41,299	13,961	13,274	22,299
Retention payables	3,197	4,037	3,200	2,907
Accrued expenses	516	1,070	753	472
Accrued issue costs	–	–	–	915
Accrued **[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Other payables	103	174	174	210
	45,115	19,242	17,401	29,550

Included in the Group's trade payables are related companies with aggregate carrying amount of MOP3,603,000, MOP694,000, MOP36,000 and nil at 31 December 2016, 31 December 2017, 31 December 2018 and 31 July 2019, respectively. Mr. Wan Man Keung, a director of the Company, is the controlling shareholder of these companies.

The Company

	As at 31 December			As at 31 July
	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Accrued expenses	–	–	–	22
Accrued issue costs	–	–	–	915
Accrued **[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
	–	–	–	3,684

The credit period of trade payables is ranging from 30 to 90 days. The following is an aging analysis of the trade payables based on the invoice date at the end of each reporting period:

	As at 31 December			As at 31 July
	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Within 30 days	35,349	5,598	9,083	15,006
31 to 60 days	5,012	4,344	2,611	4,952
61 to 90 days	402	990	1,394	477
Over 90 days	536	3,029	186	1,864
	41,299	13,961	13,274	22,299

21. LEASE LIABILITIES

The Group

	As at 31 December			As at 31 July
	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Buildings	819	802	672	1,395

	As at 31 December			As at 31 July
	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Minimum lease payment due:				
– Within one year	868	835	739	1,005
– In more than one year but not more than two years	–	–	–	550
	868	835	739	1,555
Less: future finance charge	(49)	(33)	(67)	(160)
Present value of lease liabilities	819	802	672	1,395

	As at 31 December			As at 31 July
	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Present value of lease liabilities:				
– Within one year	819	802	672	955
– In more than one year but not more than two years	–	–	–	440
	819	802	672	1,395

The Company

	As at 31 December			As at 31 July
	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Buildings	–	–	–	435

	As at 31 December			As at 31 July
	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Minimum lease payment due:				
– Within one year	–	–	–	260
– In more than one year but not more than two years	–	–	–	216
	–	–	–	476
Less: future finance charge	–	–	–	(41)
Present value of lease liabilities	–	–	–	435

	As at 31 December			As at 31 July
	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Present value of lease liabilities:				
– Within one year	–	–	–	227
– In more than one year but not more than two years	–	–	–	208
	–	–	–	435

The Group leases various properties for a fixed term of one to two years to provide staff quarters for its employees and these lease liabilities were measured at the present value of the lease payments that are not yet paid.

The Group does not have a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

The depreciation of right-of-use assets for buildings for the years ended 31 December 2016, 31 December 2017 and 31 December 2018 and the seven months ended 31 July 2018 and 31 July 2019 was recognised in the profit or loss and amounted to MOP883,000, MOP1,472,000, MOP1,264,000, MOP716,000 (unaudited) and MOP812,000, respectively.

22. AMOUNTS DUE TO RELATED PARTIES

The Group

Amounts due to directors

Details of amounts due to directors were stated as follows:

	As at 31 December			As at 31 July
	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Mr. Woo Chu Fai	151	328	360	–
Mr. Wong Man Wai Thomas	58	58	–	–
	209	386	360	–

The amounts were non-trade in nature, unsecured, interest-free and repayable on demand.

Amounts due to related companies

Details of amounts due to related companies were stated as follows:

		As at 31 December			As at 31 July
		2016	2017	2018	2019
	Notes	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
Ready Electrical Metal Work Limited ("Ready Electrical Metal")	(i)	2,121	420	124	–
Ready Enterprises (China) Limited	(i)	40	40	40	–
Shung Tat M&E Equipment Limited ("Shun Tat M&E Equipment")	(ii)	109	–	–	–
		2,270	460	164	–

Notes:

(i) The amounts were non-trade in nature, unsecured, interest-free and repayable on demand. Mr. Wan Man Keung, a director of the Company, is the controlling shareholder of these companies.

(ii) The amount was non-trade in nature, unsecured, interest-free and repayable on demand. Mr. Wan Man Keung, a director of the Company, has significant influence over this company.

The Company

Amount due to a subsidiary

The amount is non-trade in nature, unsecured, interest-free and repayable on demand.

Amount due to a related company

Details of amount due to a related company were stated as follows:

	As at 31 December			As at 31 July
	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
Ready Electrical Metal	53	–	–	–

The amount was non-trade in nature, unsecured, interest-free and repayable on demand.

23. SHARE CAPITAL

	Number of shares	Share capital
		MOP'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2016, 31 December 2016, 31 December 2017, 31 December 2018 and 31 July 2019	5,000,000,000	51,500
Issued and fully paid:		
At 1 January 2016	45,000,000	464
Issue of shares	5,000,000	52
At 31 December 2016 and 31 December 2017	50,000,000	516
Repurchase of shares	(5,000,000)	(52)
At 31 December 2018 and 31 July 2019	45,000,000	464

On 8 January 2016, 3,250,000 and 1,750,000 shares of the Company were allotted and issued to independent third parties at cash consideration of HK$6,500,000 (equivalent to MOP6,705,000) and HK$3,500,000 (equivalent to MOP3,610,000), respectively. The new shares issued rank pari passu in all respects with the existing shares in issue.

On 19 December 2018, the Company repurchased 3,250,000 and 1,750,000 shares of the Company from those independent third parties at cash consideration of HK$8,775,000 (equivalent to MOP9,051,000) and HK$4,725,000 (equivalent to MOP4,874,000), respectively.

24. RESERVES OF THE COMPANY

	Share premium	Accumulated losses	Total
	MOP'000	*MOP'000*	*MOP'000*
At 1 January 2016	–	(53)	(53)
Loss and total comprehensive expense for the year	–	(6,383)	(6,383)
Issue of shares	10,263	–	10,263
At 31 December 2016	10,263	(6,436)	3,827
Loss and total comprehensive expense for the year	–	(429)	(429)
At 31 December 2017	10,263	(6,865)	3,398
Loss and total comprehensive expense for the year	–	(1,878)	(1,878)
Repurchase of shares	(10,263)	(3,610)	(13,873)
At 31 December 2018	–	(12,353)	(12,353)
Loss and total comprehensive expense for the period	–	(15,099)	(15,099)
At 31 July 2019	–	(27,452)	(27,452)

25. RETIREMENT BENEFITS SCHEME

Eligible employees of the Group are covered by a government-mandated defined contribution plan managed by the Macau Government, namely Social Security Fund Contribution, 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. The Group funds the entire contribution and has no further commitments beyond its monthly contributions.

The Group participates in the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed in Hong Kong. The assets of the MPF schemes are held separately from those of the Group in funds under the control of an independent trustee. The Group contributes 5% of the relevant payroll costs for each employee to the MPF Scheme, subject to a cap of monthly relevant income of HK$30,000 for the MPF Scheme, which contribution is matched by employees.

At the end of each reporting period, there were no forfeited contributions which arose upon employees leaving the schemes prior to their interests in the Group's contributions becoming fully vested and which are available to reduce the contributions payable by the Group in future years.

26. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the Historical Financial Information, the Group entered into the following related party transactions:

	Year ended 31 December			Seven months ended 31 July	
	2016	2017	2018	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000* (unaudited)	*MOP'000*
Purchase of materials from Shun Tat M&E Equipment	6,766	3,701	501	501	–
Purchase of materials from Ready Electrical Metal	6,621	455	–	–	–
Management fee paid to Ready System Engineering	206	–	–	–	–

Compensation of key management personnel

Compensation of key management personnel represents the remuneration of the directors of the Company during the Track Record Period, which is disclosed in note 10.

27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes lease liabilities and amounts due to directors and related companies as disclosed in notes 21 and 22, respectively, net of cash and cash equivalents and equity, comprising share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends and issue of new shares and debts.

28. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December			As at 31 July
	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
The Group				
Financial assets				
Loans and receivables (including cash and cash equivalents)	94,869	90,826	N/A	N/A
Financial assets at amortised cost	N/A	N/A	106,970	107,628
Financial liabilities				
Amortised cost	47,078	19,018	17,172	25,416

	As at 31 December			As at 31 July
	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
The Company				
Financial assets				
Loans and receivables (including cash and cash equivalents)	4,077	3,774	N/A	N/A
Financial assets at amortised cost	N/A	N/A	2,719	3,944
Financial liabilities				
Amortised cost	289	415	15,163	32,255

Financial risk management objectives and policies

The Group and the Company's major financial instruments include trade receivables, deposits, other receivables, amounts due from a director, immediate holding company, related companies and subsidiaries, pledged bank deposits, time deposit, bank balances and cash, trade and other payables and amounts due to a director and related companies. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management of the Group and the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The carrying amounts of the Group's monetary assets (representing pledged bank deposits) denominated in currencies other than the respective group entities' functional currencies at the end of each reporting period are as follows:

	Assets			
	As at 31 December			As at 31 July
	2016	2017	2018	2019
	MOP'000	*MOP'000*	*MOP'000*	*MOP'000*
HK$ against MOP	3,133	9,542	15,962	15,962

The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, management monitors the related foreign currency exposure closely and will consider hedging significant currency exposure should the need arise.

As the exchange rate of HK$/MOP is relatively stable, the Group does not expect any significant foreign currency exposure arising from the fluctuation of the HK$/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.

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank deposits and bank balances. The Group currently does not enter into any hedging instrument for cash flow interest rate risk.

The management of the Group considers that the overall interest rate risk is not significant and no sensitivity analysis is presented.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. 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 arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial positions.

The Group is exposed to concentration of credit risk at 31 December 2016, 31 December 2017, 31 December 2018 and 31 July 2019 on trade receivables from the Group's top five major customers and the largest customers amounting to MOP37,037,000 and MOP22,290,000, MOP7,356,000 and MOP3,520,000, MOP35,175,000 and MOP19,125,000 and MOP39,094,000 and MOP21,841,000, respectively, and accounted for 94.0% and 56.6%, 76.3% and 36.5%, 96.0% and 52.2% and 95.8% and 53.5%, respectively, of the Group's total trade receivables.

Trade receivables and contract assets arising from contracts with customers

In order to minimise credit risk, the Group has delegated its finance team to develop and maintain the Group's credit risk grading to categorised exposures according to their degree of risk of default. The finance team uses publicly available financial information and the Group's own historical repayment records to rate its major customers and debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded spreads amongst counterparties.

For trade receivables and contract assets, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL upon application of HKFRS 9 as at 1 January 2018. Trade receivables are assessed individually for impairment assessment 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. In this regard, the directors of the Company considered that the credit risk for trade receivables and contract assets is significantly reduced as at 31 December 2018 and 31 July 2019.

Deposits, other receivables, amounts due from a director, immediate holding company, related companies and subsidiaries, pledged bank deposits, time deposit and bank balances

At 31 December 2016, 31 December 2017, 31 December 2018 and 31 July 2019, the gross carrying amount of rental deposits amounted to MOP266,000, MOP274,000, MOP247,000 and MOP417,000, respectively, and management of the Group makes periodic individual assessments on the recoverability of deposits based on landlords' credit quality. The management of the Group believes there is no material credit risk inherent in the Group's outstanding balances of deposits. The directors of the Company considered that ECL for rental deposits is insignificant as at 31 December 2018 and 31 July 2019.

At 31 December 2018 and 31 July 2019, the gross carrying amount of deposit for a construction contract amounted to MOP4,800,000 and MOP2,400,000. The deposit had substantially the same risk characteristics as the trade receivable for the same type of contract. The Group had therefore estimated the expected loss rate of the deposit using the same expected loss rate as the trade receivable. The directors of the Company considered the ECL for the deposit was insignificant as at 31 December 2018 and 31 July 2019.

Management of the Group and the Company makes individual assessment on the recoverability of other receivables, amounts due from a director, immediate holding company, related companies and subsidiaries based on historical settlement records, past experience, and also available reasonable and supportive forward-looking information starting from 1 January 2018. Management of the Group and the Company believes that there is no material credit risk inherent in the Group's outstanding balances of other receivable, amounts due from a director, immediate holding company, related companies and subsidiaries. The directors of the Company considered that ECL for other receivable, amounts due from a director, immediate holding company, related companies and subsidiaries is insignificant as at 31 December 2018 and 31 July 2019.

The credit risk on liquid funds of the Group and the Company is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's internal credit risk grading assessment comprises the following categories:

Category	Description	Trade receivables/ Contract assets	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired

The tables below detail the credit risk exposures of the Group's financial assets and contract assets which are subject to ECL assessment:

	Note	External credit rating	Internal credit rating	12m ECL or lifetime ECL	Gross carrying amount as at 31 December 2018 MOP'000	Gross carrying amount as at 31 July 2019 MOP'000
Financial assets at amortised cost						
Trade receivables	16	N/A	Low risk	Lifetime ECL – not credit-impaired	1,049	1,145
			Watch List	Lifetime ECL – not credit-impaired	35,606	37,055
			Loss	Lifetime ECL – credit-impaired	–	216
					36,655	38,416
Deposit for a construction contract	16	N/A	Low risk	12m ECL	4,800	2,400
Deposits and other receivables	16	N/A	Low risk	12m ECL	361	482
Amounts due from a director	18	N/A	Low risk	12m ECL	1,012	1,023
Amounts due from immediate holding company	18	N/A	Low risk	12m ECL	586	586
Amount due from a related company	18	N/A	Low risk	12m ECL	213	–
Pledges bank deposits	19	A1	N/A	12m ECL	29,021	29,366
Time deposit	19	A1	N/A	12m ECL	7,371	7,041
Bank balances and cash	19	A1	N/A	12m ECL	26,951	28,530
					63,343	64,937
Other item						
Contract assets	17	N/A	Low risk	Lifetime ECL – not credit-impaired	50,964	55,755

The following table shows a movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (credit-impaired) *MOP'000*
As at 31 December 2017 under HKAS 39 and as at 1 January 2018 and 1 January 2019 under HKFRS 9	–
– Impairment loss recognised	216
As at 31 July 2019	216

Apart from MOP216,000 classified as credit-impaired for the period ended 31 July 2019, the management applied the ECL rate from 0.16% to 3.41% in the ECL assessment.

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 following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. For 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 other non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

The Group

	Weighted average interest rate *%*	**On demand or less than 1 year** *MOP'000*	**1–2 years** *MOP'000*	**Total undiscounted cash flows** *MOP'000*	**Carrying amount** *MOP'000*
At 31 December 2016					
Non-derivative financial liabilities					
Trade and other payables	–	44,599	–	44,599	44,599
Lease liabilities	5	868	–	868	819
Amounts due to directors	–	209	–	209	209
Amounts due to related companies	–	2,270	–	2,270	2,270
		47,946	–	47,946	47,897

	Weighted average interest rate	On demand or less than 1 year	1–2 years	Total undiscounted cash flows	Carrying amount
	%	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
At 31 December 2017					
Non-derivative financial liabilities					
Trade and other payables	–	18,172	–	18,172	18,172
Lease liabilities	5	835	–	835	802
Amounts due to directors	–	386	–	386	386
Amounts due to related companies	–	460	–	460	460
		19,853	–	19,853	19,820
At 31 December 2018					
Non-derivative financial liabilities					
Trade and other payables	–	16,648	–	16,648	16,648
Lease liabilities	5	739	–	739	672
Amount due to a director	–	360	–	360	360
Amounts due to related companies	–	164	–	164	164
		17,911	–	17,911	17,844
At 31 July 2019					
Non-derivative financial liabilities					
Trade and other payables	–	25,416	–	25,416	25,416
Lease liabilities	5	1,005	550	1,555	1,395
		26,421	550	26,971	26,811

The Company

	Weighted average interest rate	On demand or less than 1 year	1–2 years	Total undiscounted cash flows	Carrying amount
	%	*MOP'000*	*MOP'000*	*MOP'000*	*MOP'000*
At 31 December 2016					
Non-derivative financial liabilities					
Amount due to a subsidiary	–	236	–	236	236
Amount due to a related company	–	53	–	53	53
		289	–	289	289
At 31 December 2017					
Non-derivative financial liabilities					
Amount due to a subsidiary	–	415	–	415	415
At 31 December 2018					
Non-derivative financial liabilities					
Amount due to a subsidiary	–	15,163	–	15,163	15,163
At 31 July 2019					
Non-derivative financial liabilities					
Lease liability	5	260	216	476	435
Amount due to a subsidiary	–	32,255	–	32,255	32,255
		32,515	216	32,731	32,690

Fair value measurements of financial instruments

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values at the end of each reporting period.

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Lease liabilities *MOP'000*	Amounts due to directors *MOP'000*	Amounts due to related companies *MOP'000*	Accrued issue costs *MOP'000*	Total *MOP'000*
At 1 January 2016	678	179	10,250	–	11,107
Financing cash flow	(981)	30	(7,980)	–	(8,931)
Non-cash changes					
Interest expenses	83	–	–	–	83
Recognition of lease liabilities	1,039	–	–	–	1,039
At 31 December 2016	819	209	2,270	–	3,298
Financing cash flow	(1,540)	177	(1,810)	–	(3,173)
Non-cash changes					
Interest expenses	75	–	–	–	75
Recognition of lease liabilities	1,448	–	–	–	1,448
At 31 December 2017	802	386	460	–	1,648
Financing cash flow	(1,411)	(26)	(296)	–	(1,733)
Non-cash changes					
Interest expenses	36	–	–	–	36
Recognition of lease liabilities	1,245	–	–	–	1,245
At 31 December 2018	672	360	164	–	1,196
Financing cash flow	(867)	(360)	(164)	(3,541)	(4,932)
Non-cash changes					
Interest expenses	51	–	–	–	51
Recognition of lease liabilities	1,539	–	–	–	1,539
Issue cost accrued	–	–	–	4,456	4,456
At 31 July 2019	1,395	–	–	915	2,310
At 1 January 2018	802	386	460	–	1,648
Financing cash flow (unaudited)	(817)	(386)	(296)	–	(1,499)
Non-cash changes					
Interest expenses (unaudited)	27	–	–	–	27
Recognition of lease liabilities (unaudited)	512	–	–	–	512
At 31 July 2018 (unaudited)	524	–	164	–	688

30. PERFORMANCE BONDS

As at 31 December 2016, 31 December 2017, 31 December 2018 and 31 July 2019, the Group has outstanding performance bonds in respect of construction contracts through a bank amounting to MOP3,134,000, MOP22,541,000, MOP29,021,000 and MOP29,366,000, respectively. The bonds are secured by pledged bank deposits as disclosed in notes 19.

31. NON-CASH TRANSACTIONS

Right-of-use assets for buildings with a total capital value of MOP1,039,000, MOP1,448,000, MOP1,245,000 and MOP512,000 (unaudited) and MOP1,539,000 and the same amount of lease liabilities were recognised during the years ended 31 December 2016, 31 December 2017 and 31 December 2018 and the seven months ended 31 July 2018 and 31 July 2019, respectively.

32. EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed in the report, subsequent to 31 July 2019, the following significant events took place:

On 22 January 2020, written resolutions of the shareholders of the Company were passed to approve the followings:

(i) conditional upon the share premium account of the Company being credited as a result of the initial **[REDACTED]** of shares of the Company on the Main Board of the Stock Exchange, the directors were authorised to capitalise an amount of HK$**[REDACTED]** standing to the credit of the share premium account of the Company and applied in paying up in full at par a total of **[REDACTED]** shares for **[REDACTED]** and issue to the shareholders of the Company.

(ii) the share option scheme of the Company was conditionally adopted on 22 January 2020 and the principal terms of which are set out in Appendix V to the Document.

33. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 31 July 2019 and up to the date of this report.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Our estimated consolidated profit attributable to the owners of our Company for the year ended 31 December 2019 is set out in the section headed "Financial Information–Profit Estimate for the Year ended 31 December 2019" in the document.

A. OVERVIEW

Our Directors estimate that, on the bases set out in Part B of this Appendix III and in the absence of unforeseen circumstances, the estimate of the profit attributable to owners of our Company for the year ended 31 December 2019 will be not less than MOP20.0 million.

B. BASES

Our Directors have prepared the estimated profit attributable to owners of our Company for the year ended 31 December 2019 based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as "the Group") for the seven months ended 31 July 2019, the unaudited consolidated results based on the management accounts of the Group for the four months ended 30 November 2019 and an estimate of the consolidated results of the Group for the remaining one month ended 31 December 2019. The profit estimate has been prepared on a basis consistent in all material respects with the accounting policies that we normally adopt in the Accountants' Report set out in Appendix I to the document.

C. LETTERS

The following is the text of letters prepared for the purpose of incorporation in the document received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, being the Reporting Accountants, and from the Sole Sponsor in connection with the estimated profit attributable to the owners of our Company for the year ended 31 December 2019.

(1) Letter from the Reporting Accountants

Deloitte. 德勤

35/F One Pacific Place
88 Queensway
Hong Kong

[REDACTED]

The Board of Directors
SEM Holdings Limited
Unit A, 7th Floor
Connaught Harbourfront House
Nos. 35–36 Connaught Road West
Sheung Wan
Hong Kong

Ample Capital Limited
Unit A, 14/F
Two Chinachem Plaza
135 Des Voeux Road Central
Central
Hong Kong

Dear Sirs,

SEM Holdings Limited ("**the Company**")

Profit Estimate for Year Ended 31 December 2019

We refer to the estimate of the consolidated profit of the Company and its subsidiaries (collectively referred to as the "**Group**") attributable to owners of the Company for the year ended 31 December 2019 (the "**Profit Estimate**") set forth in the section A of Appendix III to the document of the Company dated **[REDACTED]** ("**the Document**") ("**Profit Estimate**").

Directors' Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Group for the seven months ended 31 July 2019, the unaudited consolidated results based on the management accounts of the Group for the four months ended 30 November 2019 and an estimate of the consolidated results of the Group for the remaining one month ended 31 December 2019.

The Company's directors are solely responsible for the Profit Estimate.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 "Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements" issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 "Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness" and with reference to Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" issued by the HKICPA. Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company's directors have properly compiled the Profit Estimate in accordance with the bases and assumptions adopted by the directors of the Company and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases and assumptions adopted by the directors of the Company as set out in Appendix III of the Document and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated **[REDACTED]**, the text of which is set out in Appendix I of the Document.

Yours faithfully,

[Deloitte Touche Tohmatsu]
Certified Public Accountants
Hong Kong

(2) Letter from the sponsor

AmCap

Ample Capital Limited

豐盛融資有限公司

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

[REDACTED]

The Directors
SEM Holdings Limited

Dear Sirs,

We refer to the estimate of consolidated profit attributable to equity holders of SEM Holdings Limited (the "**Company**") for the year ended 31 December 2019 (the "**Profit Estimate**"), for which the Directors of the Company (the "**Directors**") are solely responsible, as set out in the section headed "Financial Information" in the document of the Company dated **[REDACTED]** (the "**Document**").

The Profit Estimate has been prepared by the Directors based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the seven months ended 31 July 2019 as set out in the Accountants' Report in Appendix I to the Document, the unaudited consolidated results based on the management accounts of the Group for the remaining four months ended 30 November 2019 and an estimate of the consolidated results of the Group for the remaining one month ended 31 December 2019.

We have discussed with you the bases made by the Directors as set out in Appendix III to the Document, upon which the Profit Estimate has been made. We have also considered the letter dated **[REDACTED]** addressed to yourselves and ourselves from the Reporting Accountants regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by the Reporting Accountants, we are of the opinion that the Profit Estimate, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
Ample Capital Limited
H. W. Tang
President

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 6 November, 2015 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the "**Companies Law**"). The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "**Memorandum**") and its Amended and Restated Articles of Association (the "**Articles**").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, *inter alia*, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 22 January 2020 with effect from the **[REDACTED]**. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting

of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its

nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are **[REDACTED]** on the Stock Exchange, titles to such **[REDACTED]** shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such **[REDACTED]** shares. The register of members in respect of its **[REDACTED]** shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such **[REDACTED]** shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the

number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in

attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in

general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by

reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the **[REDACTED]** or **[REDACTED]** of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable

expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii)

all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash *in lieu* of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of

the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the

redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company

or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Law of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 16 December 2015.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Law. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated

competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares **[REDACTED]** on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are **[REDACTED]** on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("**ES Law**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VI to the document. 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 6 November 2015. Our Company established a principal place of business in Hong Kong at Unit A, 7th Floor, Connaught Harbourfront House, Nos. 35–36 Connaught Road West, Hong Kong. Our Company registered as an overseas company in Hong Kong under Part 16 of the Companies Ordinance on 5 February 2016. Mr. MK Wan was appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong on 6 January 2016.

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. A summary of various parts of the constitution and relevant aspects of the Companies Law is set out in Appendix IV to the document.

2. Changes in share capital of our Company

As at the date of incorporation of our Company, its authorised share capital was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. Following its incorporation, one Share was allotted issued to the first subscriber, an Independent Third Party, which was subsequently transferred to SEM Enterprises on the same day.

On 6 November 2015, 37,999,999 Shares were allotted and issued, fully paid to SEM Enterprises at par.

Pursuant to the written resolutions of the Shareholders passed on 18 December 2015, the authorised share capital of our Company was increased from HK$380,000 to HK$50,000,000 by the creation of an additional 4,962,000,000 Shares.

On 18 December 2015, 7,000,000 Shares were allotted and issued, fully paid to SEM Enterprises at par.

Pursuant to the subscription agreement dated 8 January 2016, Convoy Collateral subscribed for 3,250,000 Shares at the consideration of HK$6,500,000. For further details, refer to the section headed "History, Reorganisation and Group Structure" in the document.

Pursuant to the subscription agreement dated 8 January 2016, DRL Capital subscribed for 1,750,000 Shares at the consideration of HK$3,500,000. For further details, refer to the section headed "History, Reorganisation and Group Structure" in the document.

Pursuant to the sale and repurchase agreement dated 19 December 2018, Our Company repurchased 3,250,000 Shares at the consideration of HK$8,775,000 from Convoy Collateral on 24 December 2018. For further details, refer to the section headed "History, Reorganisation and Group Structure" in the document.

Pursuant to the sale and repurchase agreement dated 19 December 2018, Our Company repurchased 1,750,000 Shares at the consideration of HK$4,725,000 from DRL Capital on 24 December 2018. For further details, refer to the section headed "History, Reorganisation and Group Structure" in the document.

The 3,250,000 Shares and 1,750,000 Shares repurchased from Convoy Collateral and DRL Capital respectively were cancelled and the issued share capital of our Company was diminished by the nominal value of those repurchased Shares to HK$450,000 divided into 45,000,000 Shares which are wholly-owned by SEM Enterprises.

Immediately following the completion of the **[REDACTED]** and the **[REDACTED]**, the authorised share capital of our Company is HK$**[REDACTED]** divided into **[REDACTED]** Shares and the issued share capital of our Company will be HK$**[REDACTED]** divided into **[REDACTED]** Shares fully paid or credited as fully paid. Other than pursuant to the exercise of the **[REDACTED]** and any options which may be granted under the Share Option Scheme, our Directors do not have any present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of the Shareholders at general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save for the change in share capital as disclosed above and the sections headed "History, Reorganisation and Group Structure" and "Share Capital" as well as the paragraphs headed "Further Information About Our Company – 3. Written resolutions of the Sole Shareholders passed on 22 January 2020" and "Further Information About Our Company – 4. Group Reorganisation" in this Appendix, there has been no other alteration in the share capital of our Company since the date of its incorporation.

3. Written resolutions of the sole Shareholder passed on 22 January 2020

On 22 January 2020, resolutions in writing were passed by the sole Shareholder pursuant to which, among other matters:

(a) our Company approved and adopted the Memorandum and the Articles, the terms of which are summarised in Appendix IV to the document;

(b) conditional on (i) the Listing Committee of the Stock Exchange granting **[REDACTED]** of, and permission to deal in, the Shares in issue and to be issued as mentioned in the document (including any Shares which may be allotted and issued pursuant to the exercise of any option which may be granted under Share Option Scheme and the **[REDACTED]**); and (ii) the obligations of the

[REDACTED] under the **[REDACTED]** becoming unconditional and not being terminated in accordance with the terms of the **[REDACTED]** or otherwise, in each case on or before the date falling 30 days after the date of the document:

(i) the **[REDACTED]** was approved and our Directors were authorised to **[REDACTED]** and issue the **[REDACTED]** pursuant to the **[REDACTED]**, in each case to rank *pari passu* with the then existing Shares in all respects;

(ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed "D. Share Option Scheme" below in this appendix, were approved and adopted and our Directors were authorised, at their absolute discretion but subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of subscription rights attaching to any options which may be granted under the Share Option Scheme and to take all actions as they consider necessary or desirable to implement the Share Option Scheme;

(iii) conditional on the share premium account of our Company being credited as a result of the **[REDACTED]**, our Directors were authorised to capitalise an amount of HK$**[REDACTED]** standing to the credit of the share premium account of our Company and to appropriate such amount as capital to pay up in full at par **[REDACTED]** Shares for allotment and issue to the Shareholder(s) whose name(s) appear on the register of members of our Company at close of business on the date this resolution was passed in proportion (as nearly as possible without involving fractions) to its/their then existing shareholdings, each ranking *pari passu* in all respects with the then existing issued Shares; and

(iv) our Directors were authorised to give effect to such capitalisation and distribution and the capitalisation was approved;

(c) a general unconditional mandate was given to our Directors to allot, issue and deal with (otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the Articles of Association, or pursuant to the exercise of any options which may be granted under the Share Option Scheme or under the **[REDACTED]** or the **[REDACTED]**) the unissued Shares with an aggregate nominal amount not exceeding the sum of (a) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the **[REDACTED]** and the **[REDACTED]** (excluding Shares which may be allotted and issued pursuant to the exercise of the **[REDACTED]** or any options which may be granted under the Share Option Scheme); and (b) the nominal amount of the share capital of our Company repurchased by our Company pursuant to the authority granted to our

Directors as referred in paragraph (d) below, 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 Cayman Islands laws to be held, or the passing of an ordinary resolution by the Shareholders of our Company revoking or varying the authority given to our Directors, whichever occurs first;

(d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase the Shares with an aggregate number of Shares not exceeding 10% of the total number of issued Shares immediately following completion of the **[REDACTED]** and the **[REDACTED]** (excluding any Shares to be issued upon exercise of the **[REDACTED]** or any 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 Cayman Islands laws to be held, or the passing of an ordinary resolution by our Shareholders revoking or varying the authority given to our Directors, whichever occurs first;

(e) the general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to such 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 number of Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (d) above, provided that such extended amount shall not exceed 10% of the total number of Shares in issue immediately following completion of the **[REDACTED]** and the **[REDACTED]** but excluding any Shares which may be issued pursuant to the exercise of the **[REDACTED]** or options which may be granted under the Share Option Scheme; and

(f) the **[REDACTED]**, subject to such amendments thereto as may be approved by any one Director, were approved and that any one Director was authorised to sign the same for and on behalf of our Company, and where required, affix the seal of the Company thereon; and any one Director was authorised to approve, execute, ratify and arrange the issue of any documents in relation to or incidental to the **[REDACTED]**.

4. Group Reorganisation

In preparation of the **[REDACTED]**, the companies comprising our Group underwent the Reorganisation to rationalise our Group's corporate structure. Please refer to the section headed "History, Reorganisation and Group Structure" in the document for further details.

5. Changes in share capital of the subsidiaries of our Company

Our Company's subsidiaries are listed in the accountant's report, the text of which is set out in Appendix I of the document.

Save as disclosed in the section "History, Reorganisation and Group Structure" of the document, there has been no other change to the share capital of any of the subsidiaries of our Company within the two years immediately prior to the date of the document.

6. Particulars of our subsidiaries

Particulars of our subsidiaries are set forth in the accountant's report, the text of which is set out in Appendix I to the document.

7. Repurchase by our Company of its own securities

This section contains information required by the Stock Exchange to be included in the document concerning the repurchase by our Company of its own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of our Shareholders, either by way of general mandate or by specific approval in relation to specific transactions.

Note: Pursuant to the written resolution of the sole Shareholder passed on 22 January 2020, a general unconditional mandate was given to our Directors authorising any repurchase by our Company as described above in the paragraph headed "A. Further information about our Company – 3. Written resolutions of the sole Shareholder passed on 22 January 2020" in this Appendix.

(ii) Source of funds

Any repurchases must be financed out of funds legally available for the purpose in accordance with the Memorandum and the Articles and the applicable laws and regulations of the Cayman Islands.

(b) Funding of purchases

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum, the Articles and the applicable laws and regulations of the Cayman Islands. Pursuant to the Repurchase Mandate, repurchases will be made out of funds of our Company legally permitted to be utilised in this connection, including profits and share premium of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles and subject to the Companies Law, out of capital of our Company.

Our Company may not repurchase securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(c) Reasons for repurchases

Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit our Company and our Shareholders as a whole. Such repurchases may, depending on market conditions and funding arrangements at that time, lead to an enhancement of the net asset value of our Company and/or its earnings per Share.

(d) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of **[REDACTED]** Shares in issue immediately after completion of the **[REDACTED]** and the **[REDACTED]** (but taking no account of any Shares which may be issued pursuant to the exercise of the **[REDACTED]** or any options which may be granted under the Share Option Scheme), could accordingly result in up to **[REDACTED]** Shares being repurchased by our Company during the course of the period prior to the earliest of:

(i) the conclusion of the next annual general meeting of our Company;

(ii) the expiration of the period within which the next annual general meeting of our Company is required by the Articles and the applicable laws and regulations of the Cayman Islands to be held; or

(iii) the revocation, variation or renewal of the Repurchase Mandate by ordinary resolution of our Shareholders in general meeting.

(e) General

None of our Directors nor, to the best of their knowledge and belief having made all reasonable enquiries, any of their respective close associates, has any present intention, to sell any Shares to our Company or its subsidiaries if the Repurchase Mandate is approved by our Shareholders.

There might be a material adverse impact on the working capital or gearing position of our Company (as compared with the position disclosed in the document) in the event that the Repurchase Mandate is exercised in full. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or on its gearing levels which in the opinion of our Directors are from time to time appropriate for 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, the Memorandum, the Articles and all applicable laws and regulations of the Cayman Islands.

If, as a result of repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the interests of our Shareholder(s), could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of a repurchase of Shares made after the **[REDACTED]**. Save as aforesaid, our Directors are not aware of any other consequence under the Takeovers Code as a result of a repurchase of Shares made immediately after the **[REDACTED]**. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase the Shares pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules). No core connected person of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

Our Company has repurchased 3,250,000 Shares and 1,750,000 Shares from Convoy Collateral and DRL Capital respectively on 24 December 2018. Please refer to the section headed "History, Reorganisation and Group Structure" in the document for further details.

B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of the document and are or may be material in relation to the business of our Company taken as a whole:

(a) a sale and repurchase agreement dated 19 December 2018 entered into between our Company and Convoy Collateral as shareholder relating to the repurchase of 3,250,000 Shares at the consideration of HK$8,775,000.00, representing 6.5% of the then issued share capital of our Company;

(b) a sale and repurchase agreement dated 19 December 2018 entered into between our Company and DRL Capital as shareholder relating to the repurchase of 1,750,000 Shares at the consideration of HK$4,725,000.00, representing 3.5% of the then issued share capital of our Company;

(c) the Deed of Non-competition;

(d) the Deed of Indemnity; and

(e) the **[REDACTED]**.

2. Intellectual property of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group has registered the following trademarks with the relevant authorities:

Trademark	Name of registered owner	Class	Place of registration	Date of application	Expiry Date
	SEM Holdings Limited	37	Hong Kong	15 April 2019	14 April 2029
	SEM Holdings Limited	37	Macau	14 October 2019	14 October 2026

(b) Domain names

As at the Latest Practicable Date, our Group was the registered owner of the following domain name:

Registrant	Domain name	Registration date	Expiry date
SEM Holdings Limited	semhld.com	12 May 2016	12 May 2023

Save as disclosed above, there are no other trade or services marks, patents, other intellectual or industrial property rights which are material to the business of our Group.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) Interests and short position of substantial shareholders in the share capital of our Company

So far as our Directors are aware, immediately following the completion of the **[REDACTED]** and the **[REDACTED]** (but taking no account of any Shares which may be issued pursuant to the exercise of the **[REDACTED]** or options which may be granted under the Share Option Scheme), the following person (not being a Director or chief executive of our Company) will have interests or short positions in the Shares or underlying Shares which are required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under Section 336 of the SFO, or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group will be as follows:

Name of shareholder	**Nature of interests**	**Number of Shares held after the [REDACTED] and [REDACTED] (L)** *(Note 1)*	**Approximate percentage of shareholding after the [REDACTED] and [REDACTED] (L)**
SEM Enterprises	Beneficial interest *(Note 2)*	**[REDACTED]**	**[REDACTED]**%
Ms. Lam Yin	Interest of spouse *(Note 3)*	**[REDACTED]**	**[REDACTED]**%

Notes:

1. The letter "L" denotes the person's long position (as defined under Part XV of the SFO) in such Shares.

2. SEM Enterprises is owned as to 74.08%, 23.04% and 2.88% by Mr. MK Wan, Mr. CW Wun and Mr. Yu respectively. Hence, Mr. MK Wan is deemed to be interested in all the Shares held by SEM Enterprises under the SFO.

3. Ms. Lam Yin is the wife of Mr. MK Wan and is deemed to be interested in the same number of Shares in which Mr. MK Wan is interested under the SFO.

Save as disclosed herein but taking no account of any Shares which may be issued pursuant to the exercise of the **[REDACTED]** or 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 completion of the **[REDACTED]** and the **[REDACTED]** have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of our Company required to be kept under Section 336 of the SFO, or who will immediately following completion of the **[REDACTED]** and the **[REDACTED]** be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

(b) Interests and short positions of the directors and chief executive of our Company in the share capital, underlying shares or debentures of our Company and its associated corporations

Immediately following completion of the **[REDACTED]** and **[REDACTED]** (taking no account of any Shares which may be issued pursuant to the exercise of the **[REDACTED]** or any options which may be granted under the Share Option Scheme), the interests and short positions of each of our Directors and chief executive of our Company in the share capital, underlying shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register required to be kept therein or which, once the Shares are **[REDACTED]**, will be required, to be notified to our Company and the Stock Exchange pursuant to Appendix 10 of the Listing Rules are set out as follows:

Interests in our Company:

Name of Director	**Nature of interests**	**Number of Shares held after the [REDACTED] and [REDACTED] (L)** *(Note 1)*	**Approximate percentage of shareholding after the [REDACTED] and [REDACTED] (L)**
Mr. MK Wan	Interest in a controlled corporation *(Note 2)*	**[REDACTED]**	**[REDACTED]**%

Notes:

1. The letter "L" denotes the person's long position (as defined under Part XV of the SFO) in such Shares.

2. SEM Enterprises is owned as to 74.08%, 23.04% and 2.88% by Mr. MK Wan, Mr. CW Wun and Mr. Yu respectively. Hence, Mr. MK Wan is deemed to be interested in all the Shares held by SEM Enterprises under the SFO.

(c) Interests in associated corporation of our Company

SEM Enterprises

Name of Director	Nature of interests	Number of shares held in the associated corporation (L) *(Note 1)*	Approximate percentage of shareholding
Mr. MK Wan	Beneficial owner, interest in a controlled corporation, interest held jointly with others	7,408	74.08%
Mr. CW Wun	Beneficial owner, interest held jointly with others	2,304	23.04%
Mr. Yu	Beneficial owner, interest held jointly with others	288	2.88%

Note:

1. The letter "L" denotes the person's long position (as defined under Part XV of the SFO) in such shares of the associated corporation.

Save as disclosed above, immediately following completion of the **[REDACTED]** and the **[REDACTED]** (but taking no account of any Shares which may be issued pursuant to the exercise of **[REDACTED]** or any options which may be granted under the Share Option Scheme), none of our Directors or chief executive of our Company has any interest or short position in the shares, underlying shares or debentures of our Company or any of its associated corporations 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 he will be taken or deemed to have under 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, pursuant to Appendix 10 of the Listing Rules relating to securities transactions by Directors to be notified to our Company and the Stock Exchange once our Shares are **[REDACTED]**.

2. Particulars of Directors' service contracts and Directors' remuneration

(a) Director's service contracts

Each of our executive Directors has entered into a service contract with our Company. The terms and conditions of each of such service contracts are similar in all material respects. The service contracts are initially for a fixed term of three years commencing from the **[REDACTED]** and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after initial fixed term.

Each of our non-executive Director and independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from the **[REDACTED]**, which may be terminated by not less than three months' notice in writing served by either party on the other.

(b) Director's remuneration

The remuneration of our executive Directors are determined based on the relevant Director's experience, responsibility, workload and the time devoted to our Company.

For each of the FY2016, FY2017, FY2018 and 7M2019, the aggregate amount paid to our Directors as remuneration (including fee, salaries and other allowance, performance related incentive payments and retirement benefit scheme contributions) were approximately MOP1.0 million, MOP1.5 million, MOP1.7 million and MOP1.2 million respectively.

For FY2019, the estimated total remuneration payable to our Directors amounted to approximately MOP2.2 million (excluding any discretionary bonus).

There was no arrangement under which a Director has waived or agreed to waive any emoluments for each of the two financial years immediately preceding the issue of the document.

Further information in respect of our directors' emoluments is set out in "Appendix I – Accountants' Report" to the document. It is expected that under the arrangements currently in force, the aggregate remuneration (including fees, salaries and other allowance, performance-related incentive payments and retirement benefit scheme contributions) payable by our Group to our Directors (including the independent non-executive Directors) for the year ending 31 December 2020 will be approximately MOP2.6 million.

3. Related party transaction

Save as the transactions disclosed in Appendix I to the document, our Company has not entered into any related party transactions from its incorporation to the date of the document.

4. Disclaimers

Save as disclosed in the document:

(a) none of our Directors or the experts named in the paragraph headed "E. Other information – 7. Qualifications of experts" of this appendix is interested in the promotion of, or in any assets which have been within the two years immediately preceding the issue of the document acquired or disposed of by or leased to our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) none of our Directors or the experts named in the paragraph headed "E. Other information – 7. Qualifications of experts" of this appendix is materially interested in any contract or arrangement subsisting at the date of the document which is significant in relation to the business of our Group taken as a whole;

(c) save as disclosed in the document, none of our Directors or their associates or existing shareholders of our Company (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any other interest in any of the five largest customers of our Group;

(d) none of our Directors or their associates or the existing shareholders of our Company (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest suppliers of our Group; and

(e) none of our Directors has any existing or proposed service contracts with our Company or any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

D. SHARE OPTION SCHEMES

(i) Summary of terms of the Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to enable our Company to grant options to any employee, adviser, consultant, service provider, agent, client, partner or joint-venture partner of our Company or any of our subsidiaries (including any Director or any director of our subsidiaries) who is in full-time or part-time employment with or otherwise engaged by the Company or any subsidiary at the time when an option is granted to such person under the Share Option Scheme or any person who, in the absolute discretion of the Board, has contributed or may contribute to our Group (the "**Eligible Participants**") to subscribe for the Shares thereby linking their interest with that of our Group.

(b) Grant and acceptance of options

Subject to the terms of the Share Option Scheme, our Directors may, in their absolute discretion make offer to the Eligible Participants. An offer shall be made to an Eligible Participant in writing in such form as our Directors may from time to time determine and shall remain open for acceptance by the Eligible Participant concerned for a period of 21 days from the date upon which it is made provided that no such offer shall be open for acceptance after the 10th anniversary of the adoption date of the Share Option Scheme or the termination of the same.

An offer shall be deemed to have been accepted by an Eligible Participant concerned in respect of all Shares 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 non-refundable 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, and inclusive of, the date of offer).

Any offer may be accepted by an Eligible Participant in respect of less than the total number of Shares which are offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof.

(c) Subscription price of Shares

The subscription price for Shares under the Share Option Scheme shall be determined at the discretion of our Directors but in any event will not be less than the highest of (a) the closing price of the Shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer date of the particular option, which must be a business day; (b) the average of the closing prices of the Shares as shown in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the offer date of that particular option; and (c) the nominal value of a Share on the offer date of the particular option.

(d) Maximum number of Shares

(i) Subject to (iii) below, the maximum number of Shares in respect of which options may be granted at any time under the Share Option Scheme together with options which may be granted under any other share option schemes for the time being of our Group shall not exceed such number of Shares as equals 10% of the issued share capital of our Company at the **[REDACTED]**. On the basis of a total of **[REDACTED]** Shares in issue as at the **[REDACTED]**, the relevant limit will be **[REDACTED]** Shares which represent **[REDACTED]**% of the issued Shares at the **[REDACTED]**. Our Company may seek approval by its shareholders in general meeting to refresh the 10% limit provided that the total number of Shares available for issue under options which may be granted under the Share Option Scheme and any other schemes of our Group in these circumstances must not exceed 10% of the issued share capital of our Company at the date of approval of refreshing of the limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Group (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes and exercised options) will not be counted for the purpose of calculating the limit as refreshed.

(ii) Our Company may seek separate approval by its shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the limit are granted only to Eligible Participant specifically identified by our Company before such approval is sought. Our Company will send a circular to our Shareholders containing a generic description of the specified Eligible Participant who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to the specified Eligible Participant with an explanation as to how the terms of the options serve such purpose, and such information as may be required under the Listing Rules from time to time.

(iii) The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the **[REDACTED]** and any other options granted and yet to be exercised under any other share option schemes of our Group must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of the Group if this will result in the limit being exceeded.

(iv) Unless approved by our Shareholders in the manner set out below, the total number of Shares issued and to be issued upon exercise of the options granted to each grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue. Where any further grant of options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) 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 Shareholders in general meeting with such Eligible Participant and his close associates (or his associates if the Eligible Participant is a connected person) abstaining from voting. Our Company must send a circular to its shareholders and the circular must disclose the identity of the Eligible Participant, the number and terms of the options to be granted (and options previously granted to such Eligible Participant), and such information as may be required under the Listing Rules from time to time. The number and terms (including the subscription price) of options to be granted to such Eligible Participant must be fixed before shareholders' approval and the date of meeting of the board of Directors for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

The exercise of any option shall be subject to our Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company. Subject thereto, our Directors shall make available sufficient of the then authorised but unissued share capital of our Company to allot the Shares on the exercise of any option.

(e) Exercise of options

An option may be exercised at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant.

Subject to terms of the Share Option Scheme, an option shall be exercisable in whole or in part in the circumstances 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. Each such notice must be accompanied by a non-refundable remittance for the full amount of the subscription price for Shares in respect of which the notice is given. Within 21 days after receipt of the notice and, where appropriate, receipt of the auditors' or the independent financial adviser's certificate, our Company shall accordingly allot the relevant number of Shares to the grantee (or his legal personal representative) credited as fully paid.

Though there is no specified minimum period under the Share Option Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms and conditions of the Share Option Scheme, our Directors may make such grant of options, subject to such terms and conditions in relation to the minimum period of such options to be held and/or the performance targets to be achieved as our Directors may determine in their absolute discretion.

(f) Restrictions on the time of grant of options

A grant of options may not be made when inside information has come to the knowledge of our Company until such inside information has been announced in accordance with the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately before the earlier of (i) the date of the Board meeting for the approval of our Company's interim or annual results and (ii) the deadline for our Company to publish its interim or annual announcement, and ending in the date of such results announcement.

(g) Rights are personal to grantees

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest whatsoever in favour of any third party over or in relation to any option or enter into any agreement to do so.

(h) Rights on ceasing employment

The option period in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall automatically lapse on the date on which the grantee ceases to be an Eligible Participant by reason of a termination of his employment on any one or more of the grounds that he has been guilty of persistent or serious misconduct, or has become bankrupt 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 any member of the Group into disrepute).

(i) Rights on death

In the event of the grantee ceasing to be an Eligible Participant by reason of his death before exercising the option in full and where the grantee is any employee of the Group none of the events which would be a ground for termination of his employment under paragraph (h) above arises, his personal representative(s) may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of death, or such longer period as our Directors may determine.

(j) Cancellation of options

Where our Company cancels options and offers new options to the same option holder, the offer of such new options may only be made under the Share Option Scheme with available options (to the extent not yet granted and excluding the cancelled options) within the limit approved by the shareholders of our Company as mentioned in paragraph (d) above.

(k) Effect of alterations to share capital

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 or other offer of securities to holders of Shares (including any securities convertible into share capital or warrants or options to subscribe for any share capital of our Company, but excluding options under the Share Option Scheme and options under any other similar employee share option scheme of our Company), consolidation, sub-division or reduction of the share capital of our Company or otherwise howsoever, then, in any such case (other than in the case of capitalisation of profits or reserves) our Company shall instruct the auditors or an independent financial adviser to certify in writing:

(A) 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; and/or

(iii) the maximum number of Shares referred to in paragraph d(i); and/or

(iv) the method of the exercise of the option(s).

and an adjustment as so certified by the independent financial adviser or the auditors shall be made, provided that:

(v) any such adjustment must give a grantee the same proportion of the equity capital as that to which that person was previously entitled;

(vi) any such adjustment shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event;

(vii) no such adjustment shall be made if the effect of which would be to enable a Share to be issued at less than its nominal value;

(viii) the issue of securities of our Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and

(ix) to the advantage in any respect of the grantee without specific prior approval of the Shareholders.

(B) in respect of any such adjustment, other than any made on a capitalisation issue, the independent financial advisers or the auditors must confirm to our Directors in writing that the adjustment so made satisfies the requirements of the relevant provisions of the Listing Rules and any guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

(l) Rights on a general offer

If a general or partial offer is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all its 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, shareholders of our Company. If such offer becomes or is declared unconditional, the grantee shall, notwithstanding any other term 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 at any time thereafter and up to the close of such offer (or any revised offer).

(m) Rights on winding up

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as it despatches such notice to each member of our Company give notice thereof to all grantees (containing an extract of the provisions of this paragraph) and thereupon, each grantee or his personal representative(s) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the grantee credited as fully paid.

(n) Rights on a compromise or arrangement

Other than a general or partial offer or a scheme of arrangement contemplated in paragraph (o) below, in the event of a compromise or arrangement between our Company and its members or creditors being proposed for the purpose of or in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme or arrangement and any grantee or his personal representative(s) may by notice in writing to our Company accompanied by a remittance of the full amount of the subscription price in respect of which the notice is given (such notice to be received by our Company not later than two Business Days prior to the proposed meeting) exercise the option (to the extent not already exercised) either to its full extent or to the extent specified in such notice.

(o) Rights on a scheme of arrangement

If a general or partial offer by way of scheme of arrangement is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all its 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, shareholders of our Company. If such scheme of arrangement is formally proposed to the shareholders in our Company, the grantee shall, notwithstanding any other term 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 at any time thereafter and the record date for entitlements under the scheme of arrangement.

(p) Ranking of Shares

Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank pari passu in all respects with the 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 reopening of the register of members 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 therefor shall be before the exercise date. A Share allotted upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered onto the register of members of our Company as the holder thereof.

(q) Duration and administration of the Share Option Scheme

The Share Option Scheme shall be valid and effective commencing from the adoption date of the Share Option Scheme until the termination date as provided therein (which being the close of business of our Company on the date which falls ten years from the date of the adoption of the Share Option Scheme), after which period no further options will be granted 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. 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 its interpretation or effect shall (save as otherwise provided herein and in the absence of manifest error) be final and binding on all persons who may be affected thereby.

(r) Alternations to the terms of the Share Option Scheme

(i) The provisions relating to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Eligible Participant without the prior approval of our Company's shareholders in general meeting;

(ii) any alteration to the terms and conditions of the provisions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme;

(iii) any change to the authority of our Directors or administrator of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by our Company's shareholders in general meeting; and

(iv) the amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of the Listing Rules and any guidance/ interpretation of the Listing Rules issued by the Stock Exchange from time to time.

(s) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon:

(i) the Listing Committee granting the **[REDACTED]** of, and permission to deal in, any Shares to be issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme;

(ii) commencement of dealings of Shares on the Stock Exchange; and

(iii) the passing of the necessary resolution to approve and adopt the Share Option Scheme by our Shareholder(s) in general meeting or by way of written resolution and to authorise our Directors to grant options at their absolute discretion thereunder and to allot, issue and deal with Shares pursuant to the exercise of any options granted under the Share Option Scheme.

(t) Grant of options to connected persons or any of their associates

Each grant of options to Directors, chief executive or substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director, or any of their respective associates must be approved by the independent non-executive Directors (excluding the independent non-executive Director who is the proposed grantee of the option (if any)). Where any grant of options to a substantial Shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK$5 million,

such further grant of options must be approved by our Shareholders. Our Company must send a circular to its Shareholders. The grantee, his associates and all core connected persons of our Company must abstain from voting at such general meeting, except that such grantee, his associates or core connected person of the Company may vote against the relevant resolution at the general meeting provided that his intention

to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. The circular must contain:

(i) details of the number and terms (including the subscription price) of the options to be granted to each Eligible Participant, which must be fixed before the Shareholders' meeting and the date of the meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price;

(ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options) to the independent Shareholders as to voting; and

(iii) the information as may be required under the Listing Rules from time to time.

Shareholders' approval is also required for any change in the terms of options granted to an Eligible Participant who is a substantial shareholder (as defined in the Listing Rules) of our Company or an independent non-executive Director, or any of their respective associates.

(u) Lapse of option

The Option Period (as defined in the Share Option Scheme) in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall automatically lapse on the earliest of:

(i) the expiry of the Option Period;

(ii) the expiry of any of the periods referred to in paragraphs (h), (i) or (n), where applicable;

(iii) subject to the court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining shares in the offer, the expiry of the period referred to in paragraph (l);

(iv) subject to the scheme of arrangement becoming effective, the expiry date of the period referred to in paragraph (o);

(v) the date on which the grantee ceases to be an Eligible Participant for any reason other than his death or the termination of his employment or engagement on one or more grounds specified in (vi) below;

(vi) the date on which the grantee of an option ceases to be an Eligible Participant by reason of the termination of his employment or engagement on grounds including, but not limited to, misconduct, bankruptcy, insolvency and conviction of any criminal offence;

(vii) the date of the commencement of the winding-up of our Company referred to in paragraph (m);

(viii) the date on which the grantee commits a breach of paragraph (g); or

(ix) the date on which the option is cancelled by the Board as set out in paragraph (j).

(v) Termination

Our Company may by an ordinary resolution in general meeting 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 granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme and options granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(w) Miscellaneous

Any dispute arising in connection with the number of Shares of an option, any of the matters referred to in paragraph (k) above 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.

(x) Present status of the Share Option Scheme

Application has been made to the Listing Committee of the Stock Exchange for the approval of the Share Option Scheme, the subsequent grant of options under the Share Option Scheme and the **[REDACTED]** of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme which shall represent 10% of the Shares in issue upon completion of the **[REDACTED]** and **[REDACTED]**.

As at the date of the document, no options have been granted or agreed to be granted under the Share Option Scheme.

(y) Value of options

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of the options. Our Directors believe that any calculation of the value of the options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

Our Board confirms that the Board will not approve the exercise of any option if as a result which our Company will not be able to comply with the public float requirements under the Listing Rule.

E. OTHER INFORMATION

1. Tax and other indemnities

Indemnity on estate duty and taxation

Our Controlling Shareholders have pursuant to the Deed of Indemnity, given indemnities on a joint and several basis in favour of our Company (for ourselves and as trustee for our subsidiaries) in connection with, among others, any taxation which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or alleged to have been earned, accrued or received on or before the effective date, that is the date on which the **[REDACTED]** and **[REDACTED]** becomes unconditional.

Our Controlling Shareholders have also, under the Deed of Indemnity, agreed and undertaken to our Company and each of the members of our Group and at all times keep the same indemnified on demand from and against any costs, expenses, losses, damages, claims or penalties that any of the members of our Group may suffer or incur, as a result of or in connection with, among others, our Group's non-compliance matters as such matters subsist on or prior to the effective date, that is the date on which the **[REDACTED]** and **[REDACTED]** becomes unconditional.

Our Controlling Shareholders will however, not be liable under the Deed of Indemnity for taxation where:

(a) to the extent (if any) to which provision, reserve or allowance has been made for such taxation liabilities and claims in the Accountants' Report for the Track Record Period as set out in Appendix I to the document;

(b) to the extent such taxation liabilities and claims falling on any of the members of our Group in respect of their current accounting periods or any accounting period commencing on or after the effective date would not have arisen but for some act or omission of, or transaction voluntarily effected by, any of the members of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) with the prior written consent or agreement or acquiescence of our Controlling Shareholders other than any such act, omission or transaction:

(i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after the effective date, or

(ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the effective date or pursuant to any statement of intention made in the document; or

(c) to the extent of any provision, reserve or allowance made for such taxation liabilities in the accounts which is finally established to be an over-provision or an excessive reserve or allowance, in which case our Controlling Shareholders' liability (if any) in respect of such taxation liabilities shall be reduced by an amount not exceeding such provision, reserve or allowance, provided that the amount of any such provision, reserve or allowance applied pursuant to this paragraph to reduce our Controlling Shareholders' liability in respect of such taxation liabilities shall not be available in respect of any such liability arising thereafter and for the avoidance of doubt, such over-provision or excess provision, reserve or allowance shall only be applied to reduce the liability of our Controlling Shareholders under the Deed of Indemnity and none of the members of our Group shall in any circumstances be liable to pay our Controlling Shareholders any such excess; or

(d) to the extent that any taxation liabilities and claims arises or is incurred as a result of the imposition of such taxation liabilities as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department or any other relevant authority (whether in Hong Kong, Macau, the Cayman Islands and the BVI, or any other part of the world) coming into force after the

effective date or to the extent that such taxation liabilities and claims arise or is increased by an increase in rates of such taxation liabilities after the effective date with retrospective effect.

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries under the laws of the Cayman Islands, the BVI, Macau and Hong Kong, being jurisdictions in which one or more of the companies comprising our Group are incorporated.

2. Litigation

As at the Latest Practicable Date, no member of our Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened by or against our Company.

3. Sponsor

The Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The fee to be paid to the Sponsor in relation to its role as sponsor in the **[REDACTED]** is HK$**[REDACTED]**. The Sponsor has made an application on our behalf to the Listing Committee of the Stock Exchange for the **[REDACTED]** of, and permission to deal in, our Shares in issue and to be issued pursuant to the **[REDACTED]**, the **[REDACTED]** and any Shares which may be issued pursuant to the exercise of the **[REDACTED]** or any options granted under the Share Option Scheme.

4. Compliance adviser

In accordance with the requirements of the Listing Rules, our Company has appointed Ample Capital Limited as our compliance adviser to provide consultancy services to our Company to ensure compliance with the Listing Rules for a period commencing on the **[REDACTED]** and ending on the date on which our Company complies with the Listing Rules in respect of its financial results for the first full financial year commencing after the **[REDACTED]**.

5. Promoter

Our Company has no promoter.

6. Preliminary expenses

The estimated preliminary expenses of our Company are approximately MOP160,190 and are payable by our Company.

7. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in the document:

Name	Qualification
Ample Capital Limited	Corporation licensed by the SFC to carry on type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Deloitte Touche Tohmatsu	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Guangdong Shengtianping Law Firm	PRC legal advisers
Leong Hon Man Law Office	Macau legal advisers
Frost & Sullivan Limited	Industry consultant

8. Consents of experts

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of the document with the inclusion of its report and/or opinion (as the case may be) and references to its name included in the form and context in which it, respectively appears.

None of the experts named above has any shareholding interests in our Group or any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, securities in any member of our Group.

9. Binding effect

The document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

10. Agency fees or [REDACTED]

The **[REDACTED]** will receive an **[REDACTED]**, and the **[REDACTED]** will receive a documentation fee, as referred to in the paragraph headed "**[REDACTED]** – **[REDACTED]** arrangements and expenses – Commission and expenses" in the document.

11. Registration procedures

The register of members of our Company will be maintained in the Cayman Islands by **[REDACTED]** and a branch register of members of our Company will be maintained in Hong Kong by **[REDACTED]**. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Company's branch share registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

12. Miscellaneous

(a) Save as disclosed in this Appendix, within the two years immediately preceding the date of the document:

(i) no share or loan capital of our Company or any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share capital of our Company or any of its subsidiaries;

(iv) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued; and

(v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.

(b) Our Directors confirm that, save for the **[REDACTED]** as set out in the paragraph headed "Financial Information – **[REDACTED]**" and the recent development of our Group as set out in the paragraph headed "Financial Information – Recent developments subsequent to the Track Record Period" in the document, there has been no material adverse change in the financial or

trading position or prospects of our Group since 31 July 2019 (being the date for which the latest audited combined financial statements of our Group were made up) and up to the date of the document.

(c) None of the persons named in the paragraph headed "E. Other information – 7. Qualifications of experts" in this appendix:

(a) is interested beneficially or non-beneficially in any shares in any member of the Group; or

(b) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group;

(d) no company within our Group is presently listed on any stock exchange or traded on any trading system;

(e) our Company has no outstanding convertible debt securities;

(f) there are no arrangements in existence under which future dividends are to be or agreed to be waived; and

(g) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 24 months preceding the date of the document.

13. Bilingual document

The English language and Chinese language versions of the document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). The English text of the document shall prevail over the Chinese text.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of the document delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of each of the **[REDACTED]**;

(b) a copy of each of the material contracts referred to in the paragraph headed "B. Further information about the business of our Group – 1. Summary of material contracts" in Appendix V to the document; and

(c) the written consents referred to in the paragraph headed "E. Other Information – 8. Consents of experts" in Appendix V to the document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Fairbairn Catley Low & Kong at 23/F, Shui On Centre, 6–8 Harbour Road, Hong Kong during normal business hours up to and including the date which is 14 days from the date of the document:

(a) the Memorandum of Association and the Articles of Association;

(b) the accountants' report of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to the document;

(c) the audited consolidated financial statements of our Group for FY2016, FY2017, FY2018 and 7M2019;

(d) the report from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to the document;

(e) the letters relating to the profit estimate received from the Reporting Accountants and the Sponsor, the text of which are set out in Appendix III to the document;

(f) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of Cayman Islands company law referred to in Appendix IV to the document;

(g) the Companies Law;

(h) 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 the document;

(i) the written consents referred to in the paragraph headed "E. Other Information – 8. Consents of experts" in Appendix V to the document;

(j) the service agreements and letters of appointment referred to in paragraph headed "C. Further information about our Directors and Substantial Shareholders – 2. Particulars of Directors' service contracts and Directors' remuneration" in Appendix V to the document;

(k) the Frost & Sullivan Report;

(l) the Macau Legal Opinion dated the document date issued by Leung Hon Man Law Office, our Macau Legal Advisers in respect of certain aspects of our Group's business operation in Macau;

(m) the PRC Legal Opinion dated the document date issued by Guangdong Shengtianping Law Firm, our PRC Legal Advisers in respect of certain aspects of directorship issues in the PRC; and

(n) the rules of the Share Option Scheme.