



**Wan Kei Group Holdings Limited**

**宏基集團控股有限公司**

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

Stock Code: 1718



## Global Offering

Sole Sponsor

**SUNWAH KINGSWAY**

**新華滙富**

**Kingsway Capital Limited**

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



**金利豐證券**

**KINGSTON SECURITIES**

**Kingston Securities Limited**

**SUNWAH KINGSWAY**

**新華滙富**

**Kingsway Financial Services Group Limited**

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## IMPORTANT

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



## Wan Kei Group Holdings Limited

宏基集團控股有限公司

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

### GLOBAL OFFERING

Number of Offer Shares	: 200,000,000 Shares comprising 100,000,000 New Shares and 100,000,000 Sale Shares
Number of Hong Kong Public Offer Shares	: 20,000,000 Shares (subject to reallocation)
Number of International Placing Shares	: 180,000,000 Shares comprising 80,000,000 New Shares and 100,000,000 Sale Shares (subject to reallocation)
Offer Price	: Not more than HK\$0.85 per Offer Share and expected to be not less than HK\$0.65 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.01 per Share
Stock code	: 1718

Sole Sponsor

**SUNWAH KINGSWAY**  
**新華滙富**

Kingsway Capital Limited

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

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Kingsway Financial Services Group Limited

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

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

The Offer Price is expected to be determined by an agreement between our Company (for itself and on behalf of the Selling Shareholders) and Kingston Securities Limited (for itself and on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on or about Tuesday, 4 August 2015, but in any event, not later than Wednesday, 5 August 2015. The Offer Price will be not more than HK\$0.85 per Offer Share and is expected to be not less than HK\$0.65 per Offer Share, unless otherwise announced. Investors applying for the Hong Kong Public Offer Shares must pay, on application, the maximum Offer Price of HK\$0.85 per Offer Share, unless otherwise announced, together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price should be lower than HK\$0.85 (the maximum Offer Price).

Kingston Securities Limited (for itself and on behalf of the Underwriters), with the consent of our Company (for itself and on behalf of the Selling Shareholders), may extend or reduce the indicative Offer Price range stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, a notice of the extension or reduction in the indicative Offer Price range will be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.wankei.com.hk](http://www.wankei.com.hk) not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Public Offer Shares" of this prospectus. If, for any reason, the Offer Price is not agreed between our Company (for itself and on behalf of the Selling Shareholders) and Kingston Securities Limited (for itself and on behalf of the Underwriters) on or before Wednesday, 5 August 2015, the Global Offering will not proceed and will lapse.

**Prior to making an investment decision, prospective investors should consider carefully all of the information set forth in this prospectus and the related Application Forms, including the risk factors set forth in the section headed "Risk Factors" in this prospectus.**

Pursuant to the termination provisions contained in the Underwriting Agreements in respect of the Offer Shares, Kingston Securities Limited, for itself and on behalf of the Underwriters, has the right in certain circumstances, in its sole discretion, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is currently expected to be Tuesday, 11 August 2015). Further details of the terms of the termination provisions are set forth in the section headed "Underwriting – Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

28 July 2015

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## EXPECTED TIMETABLE

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2015<sup>(1)</sup>

Application lists open<sup>(2)</sup> ..... 11:45 a.m. on Monday, 3 August 2015

Latest time to lodge **WHITE** and **YELLOW**

Application Forms and to give **electronic application**

**instructions** to HKSCC<sup>(3)</sup> ..... 12:00 noon on Monday, 3 August 2015

Application lists close ..... 12:00 noon on Monday, 3 August 2015

Expected Price Determination Date<sup>(4)</sup> ..... Tuesday, 4 August 2015

Announcement of the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Public Offer Shares to be published on our website at [www.wankei.com.hk](http://www.wankei.com.hk) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) on or before ..... Monday, 10 August 2015

Announcement of results of allocations under the Hong Kong Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our website at [www.wankei.com.hk](http://www.wankei.com.hk) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) (for further details, please see the section "How to Apply for Hong Kong Public Offer Shares – Publication of Results" in this prospectus) from ..... Monday, 10 August 2015

Despatch/Collection of refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer on or before<sup>(5 to 6)</sup> ..... Monday, 10 August 2015

Despatch/Collection of Share certificates on or before ..... Monday, 10 August 2015

Dealings in the Shares on the Stock Exchange expected to commence on ..... Tuesday, 11 August 2015

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## EXPECTED TIMETABLE

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*Notes:*

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including its conditions, are set out in the section “Structure of the Global Offering” in this prospectus.
2. If there is a “**black**” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 3 August 2015, the application lists will not open on that day. For further details, please see the section “How to Apply for Hong Kong Public Offer Shares – Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
3. Applicants who apply for Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC should see the section “How to Apply for Hong Kong Public Offer Shares – Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
4. The Price Determination Date is expected to be on or around Tuesday, 4 August 2015. If, for any reason, the Offer Price is not agreed by Wednesday, 5 August 2015 between our Company (for itself and on behalf of the Selling Shareholders) and Kingston Securities Limited (for itself and on behalf of the Underwriters), the Global Offering (including the Hong Kong Public Offer) will not proceed and will lapse.
5. Share certificates for the Offer Shares are expected to be issued on or before Monday, 10 August 2015 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 11 August 2015 provided that (a) the Global Offering has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.
6. Applicants for 1,000,000 Hong Kong Public Offer Shares or more on **WHITE** Application Forms and have provided all information required by their Application Forms may collect refund cheques (where relevant) and/or Share certificates (where relevant) from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 10 August 2015 or such other date as notified by us.

Individuals who opt for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar. Applicants for 1,000,000 Hong Kong Public Offer Shares or more on **YELLOW** Application Forms and have provided all required information may collect their refund cheques, if any, in person but may not elect to collect their Share certificates personally, which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participants’ stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

7. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant’s own risk to the address specified in the relevant Application Form. For further information, applicants should see the section “How to Apply for Hong Kong Public Offer Shares – Despatch/Collection of Share Certificates and Refund Monies” in this prospectus.
8. Refund cheques will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$0.85 per Offer Share.

For details of the structure of the Global Offering, including conditions of the Global Offering, applicants should see the section “Structure of the Global Offering” in this prospectus.

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### IMPORTANT NOTICE TO INVESTORS

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

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus and the Application Forms. Any information or representation not contained nor made in this prospectus or the Application Forms must not be relied on by you as having been authorised by us, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our/their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering.*

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## SUMMARY

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

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before making any decision to invest in the Offer Shares.*

*Various expressions used in this summary are defined in the section headed "Definitions" in this prospectus.*

### **BUSINESS OVERVIEW**

We are principally engaged in providing: (i) foundation works; and (ii) ground investigation field works, in Hong Kong. Our foundation works, mainly consisted of the construction of socketed H-piles, mini piles, soldier piles, pipe piles and king posts, are our mainstream business and contributed approximately 86.9%, 89.4% and 89.0% of our total revenue for each of the three years ended 31 March 2015.

During the Track Record Period, save that one project was located in Macau, all our projects were located in Hong Kong. During the Track Record Period, we provided foundation works through Wan Kei Engineering and were generally engaged as a subcontractor or sub-subcontractor, and provided ground investigation field works through Chung Shun and were generally engaged as a main contractor.

We undertake projects in both public and private sectors. As to our business of foundation works, our revenue attributable to projects in public sector accounted for approximately 32.6%, 58.9% and 60.3% of our total revenue for each of the three years ended 31 March 2015, respectively. As to our business of ground investigation field works, our revenue attributable to projects in public sector accounted for approximately 84.2%, 85.8% and 82.7% of our total revenue for the same periods, respectively.

For foundation works, our customers are generally main contractors of construction projects in Hong Kong. For ground investigation field works, our customers are generally employers of construction projects in Hong Kong.

Our suppliers include sub-subcontractors of foundation works in Hong Kong, lessors of machinery and local distributors of diesel fuel, steel and cement. Most of our construction materials and diesel fuel are sourced from our suppliers in Hong Kong.

During the Track Record Period and up to the Latest Practicable Date, we completed 87 and 59 projects of foundation works and ground investigation field works, respectively. As at the Latest Practicable Date, we had 31 and 16 on-going projects (either in progress or yet to commence) of foundation works and ground investigation field works, respectively, and the total outstanding contract sum of the same was approximately HK\$417.2 million and HK\$20.3 million, respectively. Approximately HK\$366.8 million and HK\$50.4 million of foundation works are expected to be completed before the financial year ending 31 March 2016 and 2017 respectively and all of the ground investigation work is expected to be completed before the financial year ending 31 March 2016.

According to the Ipsos Report, the revenue of Wan Kei Engineering for the year ended 31 March 2014 represented around 1.9% of the total revenue generated from the whole foundation industry in Hong Kong in 2014, and ranked second among foundation works subcontractors in Hong Kong in terms of share of total industry revenue in 2014.

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## SUMMARY

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### BUSINESS MODEL

During the Track Record Period, we obtained projects either by (i) quotation request directly by our customers; or (ii) public tender. In stating so, during the Track Record Period, we participated in public tendering for two times only. For these two public tenders we submitted, we were awarded the master agreement of ground investigation field works projects GI1 and GI2 with Customer D. Other than these two projects, we obtained all our projects by quotation request directly by our customers during the Track Record Period.

With the support of the Ipsos Report, our Directors considered that our customers will consider a number of factors, including but not limited to (i) reputation and track records; (ii) relationship with customers; (iii) flexibility; and (iv) price, to select the contractors (of any tiers) and invite them to submit quotations for their consideration. For more discussion about these four factors, please refer to the paragraph headed “Factors of competition” in our section “Industry Overview” on page 69 in this prospectus. Further, with the support of the Ipsos Report, some of our customers will, based on these four factors in general, assess, select and identify certain contractors to be on their internal approved list of contractors. If there is any construction project which they need to contract-out the foundation works or any part of the same, they will only invite the contractors on their internal approved list to submit their respective quotations for their further selection and consideration.

To the best knowledge of our Directors, our customers would most likely request more than one contractor to submit quotation in order to engage contractors (of any tiers) who can provide quality service with competitive price. There is no assurance that our customers will award us projects for every quotation 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 contract, such contract 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 contract is awarded to us, we may face a downward pressure on our gross profit margin.

In view of the aforesaid, we adopt a pro-active mode in our projects procurement strategy. Our executive Directors explore and utilise every opportunity to secure new projects for our Group. Our Directors confirm that for every invitation to submit quotation we received during the Track Record Period, whether or not the invitation was from customer with any business relationship with us, we generally submitted our quotations. Our executive Directors are responsible for preparing the quotations and they generally spend around 1 to 3 days to complete the quotations. As such, they consider that the cost attributable to quotation preparation is insignificant to our Group taken as a whole. Our executive Directors consider that such strategy would facilitate to maintain customers’ relationship and increase our opportunity to work with new customers.

For each of the three years ended 31 March 2015, based on our internal records, we submitted 342, 374 and 318 quotations for foundation works projects (excluding the quotations in relation to variation orders and supplemental orders), respectively. Among these quotations submitted, we were awarded 25, 17 and 20 projects for the same periods, respectively. As such, the success rates for the same periods were approximately 7.3%, 4.5% and 6.3%, respectively.

For each of the three years ended 31 March 2015, based on our internal records, we submitted 50, 44 and 64 quotations for ground investigation field works projects (excluding the quotations in relation to variation orders and supplemental orders), respectively. Among these quotations submitted, we were awarded 8, 8 and 26 projects for the same periods, respectively. As such, the success rates for the same periods were approximately 16.0%, 18.2% and 40.6%, respectively.



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## SUMMARY

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Save and except the master agreement of ground investigation field works projects GI1 and GI2 with Customer D, the quotations of which were submitted by public tender, all the aforesaid quotations were submitted due to direct request by our customers during the Track Record Period.

When our customers approach us and request a quotation for certain foundation works projects, they normally provide us with, among others, the relevant information for preparing our quotation, namely the: (i) project background; (ii) site information; (iii) preliminary geological/ground investigation; (iv) foundation design drawings, materials to be used and specifications; and (v) work schedule. Our executive Directors will be responsible for preparing the quotations. Our customers require us to prepare and submit our quotations within a certain period, generally ranging from 1 week to 3 weeks, after we receive their requests. For foundation works projects, there are cases that our customers, in requesting us to submit quotations to them, have not yet been awarded with the construction project as a main contractor. To the best knowledge of our Directors, they would request a number of foundation subcontractors to submit to them preliminary quotations in order to facilitate their cost assessment to bid for the construction project as a main contractor. After that being awarded with the construction project as a main contractor, they would further select a number of subcontractors who have previously submitted to them the preliminary quotations, and require them to submit detailed quotations for their selection and consideration.

We generally prepare our quotation based on our estimated costs to be incurred for the project plus a certain mark-up margin. Our quotation generally contains a price list which sets out the fee in relation to each work task to be carried out. For certain work tasks, such as piling, we charge in the form of fee rate, such as certain price per metre.

After we submit our quotation, we will attend interviews with our customers, respond to our customers' queries and/or negotiate with our customers about the contract terms, which are responsible by our executive Directors. They will use their best endeavour to present our competitive strengths to our customers in order to strive for the profitable projects against our competitors. It generally takes around one month for our customers to consider our quotations and inform us whether they would award us with the foundation works project.

Once we are awarded with a foundation works project, we will form a project management team, which takes charge of the overall management of our foundation works projects.

Most of our foundation works require heavy use of machinery and equipment. Our major machinery including air compressors, drilling rigs and crawler cranes, and other equipment such as automatic grouting stations, are mainly manufactured in Japan, Italy, Sweden, Hong Kong and the PRC. During the Track Record Period, we rent machinery and equipment, including air compressors, crawler cranes and backhoes, from our suppliers.

The construction materials that we purchased generally consist of cement and steel. We use diesel fuel to operate our machinery at construction sites. Most of our construction materials and diesel fuel are sourced from our suppliers in Hong Kong. We also engaged sub-subcontractors during the Track Record Period.

We may also have supplemental or variation orders from our customers.

After being awarded with a foundation works project, we usually do not receive any sums as prepayment from our customers. In accordance with terms of the subcontracts, we are generally required to provide our customers with, on a monthly basis, a written statement of the value of all works properly done under the subcontract, being the progress payment application. Our customers and/or the employers of the construction projects will then assess such written statement and certify the amount we are entitled to be paid for the relevant month.

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## SUMMARY

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Credit terms granted to our customers vary from contract to contract. The settlement date is determined with reference to the payment certificate date and usually coincides with the payment certificate date, which is approximately 30 days upon our submission of progress payment application. Notwithstanding the above, the settlement date could range from 30 days to 50 days from the payment application date or 0 days to 60 days from the certificate date, subject to actual payment certification and the terms and conditions of the contracts.

Credit terms granted to us by our suppliers vary from contract to contract. Our suppliers, on average, grant us a credit period of two to three months upon the issue of an invoice. We generally settle our trade payables within 60 days from the invoice dates.

In general, we regard a subcontract as practically completed (excluding the defect liability period) once we completed all the subcontract work thereunder. The construction periods, which normally refer to the period between construction commencement of the foundation works and practical completion excluding the defect liability period, of most of our foundation works projects during the Track Record Period varied from around two months to three years.

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.

In order to ensure due completion of the entire subcontract work, our customers will usually be given the right to withhold approximately 5% to 10% of each progress payment due to us as retention monies. In general, the subcontracts will specify that the total amount of retention monies shall not exceed approximately 5% of the total sum of the subcontracts. The retention monies are generally released to us in two instalments but the retention period could vary.

Similar to the aforesaid arrangement between our customers and us, we generally withhold approximately 5% to 10% of each of the progress payment due to our sub-subcontractors as retention monies to guarantee their due completion of the sub-subcontract works.

Our top five customers for each of the three years ended 31 March 2015 were Independent Third Parties. As at the Latest Practicable Date, we had been working with our top five customers for a period ranging from 3 to 20 years. For each of the three years ended 31 March 2015, our total revenue attributable to our top five customers amounted to approximately HK\$185.4 million, HK\$271.3 million and HK\$268.0 million, respectively, representing approximately 72.7%, 83.3% and 65.8% of our total revenue, respectively.

Our top five suppliers for each of the three years ended 31 March 2015 were Independent Third Parties. As at the Latest Practicable Date, we had been working with our top five suppliers for a period ranging from 5 to 18 years. For each of the three years ended 31 March 2015, our total purchase attributable to our top five suppliers amounted to approximately HK\$55.9 million, HK\$74.2 million and HK\$82.9 million, representing approximately 41.2%, 40.4% and 40.7% of our total purchase, respectively.

Our top five sub-subcontractors for each of the three years ended 31 March 2015 were Independent Third Parties. For each of the three years ended 31 March 2015, the total cost in engaging our sub-subcontractors amounted to approximately HK\$39.3 million, HK\$53.4 million and HK\$69.7 million, representing approximately 20.8%, 20.8% and 23.7% of our total costs of sales, respectively.

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## SUMMARY

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The following table sets out the details of our major licences and qualifications as at the Latest Practicable Date:

<b>Licenses and qualifications</b>	<b>Issuing authorities</b>	<b>Type(s) of works covered</b>	<b>Date of commencement</b>	<b>Date of expiry</b>
Registered Specialist Contractor	Buildings Department	Foundation works	18 August 2014	27 October 2017
Registered Specialist Contractor	Buildings Department	Ground investigation field works	2 April 2013	1 July 2016
Approved Supplier of Materials and Specialist Contractor for Public Works	Development Bureau	Group II <sup>(Note 3)</sup> of the “Land Piling” category for minipile and rock-socketed steel H-pile in pre-bored hole	26 June 2006	– <sup>(Note 1)</sup>
Approved Supplier of Materials and Specialist Contractor for Public Works	Development Bureau	Group I <sup>(Note 3)</sup> of the “Ground Investigation Field Work” category	4 December 2007	– <sup>(Note 1)</sup>
Registered Subcontractor	Construction Industry Council	Ground Investigation	3 November 2014	2 November 2016
Registered Subcontractor	Construction Industry Council	Sheet piles, bored piles, driven piles, diaphragm walls, micro piles and others (grout curtain)	17 June 2014	16 June 2016
Confirmed Status in the Housing Authority List of Ground Investigation Contractors <sup>(Note 2)</sup>	Hong Kong Housing Authority	Ground investigation	8 November 2013	7 November 2015

*Notes:*

1. “–” denotes not subject to any periodic renewal conditions.
2. As at the Latest Practicable Date, Chung Shun had the confirmed status in the Housing Authority List of Ground Investigation Contractors because of the ground investigation field works project GI2 with Customer D. For details of the major terms of the master agreement of ground investigation field works project GI2, please refer to the paragraph headed “Business – Our Customers – Major terms of our contracts” in this prospectus.
3. We may tender for public works contracts only in the works categories and groups for which they are approved. Group II of the “Land Piling” category refers to contracts or subcontracts of unlimited value. Group I of the “Ground Investigation Field Work” category refers to contracts or subcontracts up to HK\$2.3 million.

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## SUMMARY

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### OUR COMPETITIVE STRENGTHS

We believe that our competitive strengths are as follows:

- We are an established foundation works subcontractor in Hong Kong.
- We provide wide range of high quality foundation works.
- We have established foundation works capacity.
- We have long-term relationships with our top five customers and suppliers.
- We have an experienced and dedicated management team.

### BUSINESS STRATEGIES

Our objective is to achieve sustainable growth in our business in Hong Kong by consolidating and expanding our foundation works capacity in Hong Kong.

### FUTURE PLANS AND USE OF PROCEEDS

On the basis that the Offer Price is HK\$0.75 per Share (being the mid-point of the indicative range of the Offer Price), our Directors estimate that the net proceeds to be received by us from the Global Offering (after deducting the underwriting fees, brokerage, the Stock Exchange trading fee and SFC transaction levy for the Offer Shares and estimated listing expenses in connection to the Global Offering) will be approximately HK\$60.9 million. Our Directors presently intend that the net proceeds payable to us from the Global Offering will be applied as follows:

- approximately HK\$41.6 million or approximately 68.4% of the net proceeds for the expansion of our fleet of machinery and equipment by acquiring additional air compressors, drilling rigs, crawler cranes, automatic grouting stations and other ancillary machinery and equipment;
- approximately HK\$6.6 million or approximately 10.8% of the net proceeds for the reinforcement of our workforce by recruiting additional staff;
- approximately HK\$7.0 million or approximately 11.5% of the net proceeds for the repayment for certain outstanding finance leases, under which Wan Kei Machinery acquired certain machinery and equipment; and
- approximately HK\$5.7 million or approximately 9.3% of the net proceeds for general working capital of our Group.

We estimate that the Selling Shareholders will receive net proceeds of approximately HK\$60.9 million at the Offer Price of HK\$0.75 per Share (being the mid-point of the indicative range of the Offer Price) after deducting related underwriting fees and estimated expenses in connection with the Global Offering. We will not receive any of the net proceeds of the Global Offering from the sale of Sale Shares by the Selling Shareholders.

For further details on our future plans and use of proceeds, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

## SUMMARY

### SELECTED KEY OPERATIONAL AND FINANCIAL DATA

	Year ended 31 March		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>			
<b>Foundation works</b>			
Projects with recognised revenue of not less than HK\$13 million <i>(Note 1)</i>	140,278	228,878	250,959
Projects with recognised revenue of less than HK\$13 million	<u>81,287</u>	<u>62,121</u>	<u>112,111</u>
	221,565	290,999	363,070
<b>Ground investigation field works</b>			
GI1/2 2012/2014			
ground investigation field works <i>(Note 2)</i>	27,307	28,799	29,170
Other ground investigation field works	<u>6,240</u>	<u>5,657</u>	<u>15,888</u>
	<u>255,112</u>	<u>325,455</u>	<u>408,128</u>
	Year ended 31 March		
	2013	2014	2015
Number of foundation works projects with recognised revenue of not less than HK\$13 million	5	4	7
Number of foundation works projects with recognised revenue of less than HK\$13 million	32	42	54
Number of Ground investigation field works	8	10	20
	Year ended 31 March		
	2013	2014	2015
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
<b>Direct costs</b>			
Construction material costs <i>(note 3)</i>	72,043	87,098	98,485
Sub-subcontracting charges	39,332	53,396	69,660
Labour cost	35,589	45,244	51,439
Machinery rental cost	16,238	25,748	19,355
Depreciation	10,673	17,479	19,197
Transportation expenses	6,182	10,664	15,762
Repair and maintenance	3,920	6,282	10,477
Other costs	<u>5,286</u>	<u>10,825</u>	<u>9,587</u>
<b>Total costs</b>	<u>189,263</u>	<u>256,736</u>	<u>293,962</u>
<b>Gross profit</b>	<u>65,849</u>	<u>68,719</u>	<u>114,166</u>
<b>Profit and total comprehensive income for year</b>	<u>39,746</u>	<u>39,494</u>	<u>62,306</u>



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## SUMMARY

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*Notes:*

1. The HK\$13 million threshold has been set so that the aggregate revenue of significant projects for each of the three years ended 31 March 2015 constitutes not less than 50% of our total revenue for each year. Aggregate revenue from foundation works projects with recognised revenue of not less than HK\$13 million for each of the three years ended 31 March 2015, represented approximately 55.0%, 70.3% and 61.5%, respectively of our total revenue. Please refer to “Financial Information – Gross Profit” for a summary of the gross profit margins for foundation works projects with recognised revenue of not less than HK\$13 million and those less than HK\$13 million.
2. “GI1/2 2012/2014” refers to revenue pertaining to ground investigation field works projects GI1 and GI2 awarded to us by Customer D, as the main contractor for public ground investigation field works projects, during each of the financial year ended 31 March 2012 and 2014, respectively.
3. Diesel fuel is one of the key components of our Group’s construction material. For each of the three years ended 31 March 2015, our diesel fuel cost amounted to approximately HK\$18.9 million, HK\$24.4 million and HK\$21.1 million, representing approximately 10.0%, 9.5% and 7.2% of total costs of sales, respectively. The monetary amount of diesel fuel consumed by our Group for the year ended 31 March 2015 was approximately HK\$21.1 million, with a weighted average cost per litre for the year of approximately HK\$6.48 per litre. There has been a decline in unit diesel fuel cost per litre during the year ended 31 March 2015. The highest unit diesel fuel cost of approximately HK\$7.05 per litre was recorded in April 2014, while the lowest unit diesel fuel cost of approximately HK\$4.30 per litre was recorded in March 2015. Should the highest and lowest diesel unit cost be applied to the actual quantity of diesel fuel consumed by our Group for the year ended 31 March 2015 of approximately 3.2 million litre, the amount of diesel consumption by our Group during the financial year ended 31 March 2015 would have been approximately HK\$22.6 million and approximately HK\$13.8 million respectively.

Please refer to the paragraph under “Business – Our Projects” in this prospectus for further details regarding foundation works projects F4, F5, F9, F10 and F11, that are referred to below.

Our gross profit increased by approximately HK\$45.5 million or 66.2% from approximately HK\$68.7 million for the year ended 31 March 2014 to approximately HK\$114.2 million for the year ended 31 March 2015. Meanwhile, our gross profit margin increased from approximately 21.1% for the year ended 31 March 2014 to approximately 28.0% for the year ended 31 March 2015. Such increase in gross profit margin for the foundation construction segment was mainly attributable to the higher gross profit margin achieved by foundation works projects F9 and F5, partially offset by the lower margins from foundation works project F10 and F11. F9 and F5 accounted for approximately 14.0% and 12.7%, respectively, of our total revenue for the year ended 31 March 2015 and contributed substantially towards our gross profit for that period, whereas, projects F10 and F11 accounted approximately 3.7% and 5.8%, respectively, of our total revenue for the same period. The higher gross profit margin for project F9 was attributable to substantial cost savings in man power terms achieved through the deployment of more powerful drilling machinery as dictated by the site condition. Meanwhile, project F5, which was previously a H-Pile only project, had improved its gross profit margin by expanding its scope to include more profitable pipe-piling work ensued from a variation order during the period. Please refer to the paragraph under “Financial Information – Direct Costs” in this prospectus for further discussions on different cost drivers for pipe-piling and H-piles foundation works. The gross profit margin for project F10 was low due to high machining cost associated with drilling through rocky layer, meanwhile, project F11’s proximity to the sea had increased its complexity and in turn negatively impacted its profitability.

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## SUMMARY

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Our gross profit increased slightly by approximately HK\$2.9 million or 4.4% from approximately HK\$65.8 million for the year ended 31 March 2013 to approximately HK\$68.7 million for the year ended 31 March 2014. Meanwhile, our gross profit margin decreased from approximately 25.8% for the year ended 31 March 2013 to approximately 21.1% for the year ended 31 March 2014. Such decrease in gross profit margin arose as a result of the net effect of the gross profit margins achieved by our top two contributors to revenue in FY2014, namely, foundation works projects F5 and F4, which accounted for approximately 36.7% and 19.9%, respectively, of our total revenue for FY2014 and contributed substantially towards our gross profit for that year. F5 involved the construction of more than 700 H-Piles over an extensive site with an underlying rock layer below the surface. The sheer scale and complexity negatively impacted the gross profit margin of F5, meanwhile, F4 commanded a relatively higher gross profit margin due to its relative simplicity as a pre-boring only project that did not involve any pile construction nor construction material input.

Our profit and total comprehensive income attributable to equity holders of our Company increased by approximately HK\$22.6 million, from approximately HK\$39.4 million for the year ended 31 March 2014 to approximately HK\$62.0 million for the year ended 31 March 2015. The increase in profit and total comprehensive income attributable to equity holders of our Company was mainly attribute to the net effect of gross profit margins contributed by the two large-scale foundation works projects F5 and F9 offset by lower margins pertaining to foundation works projects F10 and F11 during the year ended 31 March 2015 as discussed in the subsection on gross profit above.

Our profit and total comprehensive income attributable to equity holders of our Company decreased by approximately HK\$0.3 million, from approximately HK\$39.7 million for the year ended 31 March 2013 to approximately HK\$39.4 million for the year ended 31 March 2014. The decrease in profit and total comprehensive income attributable to equity holders of our Company was mainly attribute to the net effect of gross profit margins contributed by the two large-scale foundation works projects F4 and F5 during FY2014 as discussed above.

### KEY FINANCIAL RATIOS

Selected Ratios	Note	As at/Year ended 31 March		
		2013	2014	2015
Return on assets	1	21.1%	15.8%	22.9%
Return on equity	2	36.2%	27.3%	42.4%
Gross profit margin	3	25.8%	21.1%	28.0%
Net profit margin	4	15.6%	12.1%	15.3%
Gearing ratio (times)	5	0.03	N/A	N/A
Current ratio (times)	6	2.06	2.12	1.96

*Notes:*

1. Net profit/total assets x 100%
2. Net profit/total equity x 100%

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## SUMMARY

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3. Gross profit/revenue x 100%
4. Net profit/revenue x 100%
5. Net debt\*/total equity
6. Current assets/current liabilities

\* Net debt is calculated as total borrowings less cash and bank balances. Total borrowings included bank loans, obligations under finance leases and amounts due to a Director, a Controlling Shareholder and related party. Cash and bank balances included cash and cash equivalents.

### RECENT DEVELOPMENT

Based on our unaudited management accounts for the two months ended 31 May 2015, our monthly average revenue, monthly average gross profit and gross profit margin for the two months ended 31 May 2015 decreased as compared to the monthly average revenue, monthly average gross profit and gross profit margin for the year ended 31 March 2015 primarily due to (i) the progress of F13 with a higher gross profit margin slowed down during the two months ended 31 May 2015 due to the work programme of the main contractor and (ii) certain projects with expected contract sum of not less than HK\$13 million were at the beginning stage during the period whereas the higher monthly average gross profit and gross profit margin for the year ended 31 March 2015 was mainly attributable to foundation works project F9 and F5. The Company recorded a profit for the two months ended 31 May 2015. We incurred approximately HK\$1.8 million of listing expenses during the period, among which HK\$0.2 million was recorded as prepayment and HK\$1.6 million was recorded as expenses.

Our Directors confirm that there have not been any material adverse change in our financial and trading positions or prospect since 31 March 2015, being the date of our latest audited financial results as set out in the Accountants' Report in Appendix I up to the date of this prospectus. As far as we are aware, there was no material change in the foundation industry in Hong Kong that had affected or would affect our business operations or financial condition materially or adversely.

### LISTING EXPENSES

The total amount of listing expenses and commission in connection with the Global Offering is approximately HK\$28.2 million, which will be equally borne by the Selling Shareholders and us, each bearing approximately HK\$14.1 million. The portion of listing expenses borne by the Selling Shareholders in connection with the Sale Shares of approximately HK\$4.7 million will be set-off against the listing expenses of our Company. The portion of listing expenses of approximately HK\$9.4 million reimbursed by the Selling Shareholders in its capacity as shareholder will be accounted for as capital contribution to our Company.

Of the aggregate listing expenses of approximately HK\$28.2 million, approximately HK\$4.7 million directly attributable to the issue of New Shares will be accounted for as a deduction from equity upon Listing. Of the remaining HK\$23.5 million, approximately HK\$4.7 million will be borne by the Selling Shareholders as stated above and approximately

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## SUMMARY

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HK\$18.8 million will be charged to our profit or loss. We incurred approximately HK\$13.9 million of listing expenses during the Track Record Period, among which HK\$3.1 million was recorded as prepayments and HK\$10.8 million was recorded as expenses. An additional amount of approximately HK\$8.0 million will be charged to the profit or loss for the year ending 31 March 2016. Expenses in relation to the Listing are non-recurring in nature. **The Director wishes to inform our Shareholders and potential investors that our Group's financial performance and results of operations for the year ending 31 March 2016 will be significantly affected by the estimated expenses in relation to the Listing.**

### STATISTICS OF THE GLOBAL OFFERING

	<b>Based on an Offer Price of HK\$0.85 per Offer Share</b>	<b>Based on an Offer Price of HK\$0.65 per Offer Share</b>
Market capitalisation of the Shares <sup>(Note 1)</sup>	HK\$680 million	HK\$520 million
Unaudited pro forma adjusted net tangible assets per Share <sup>(Note 2)</sup>	HK\$0.28	HK\$0.26

*Notes:*

1. The calculation of the market capitalisation of the Shares is based on an issued capital of 800,000,000 Shares, being the number of the Shares in issue immediately following the completion of the Global Offering but not taking into account of any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue Shares and Repurchase Mandate.
2. The unaudited pro forma adjusted net tangible asset per Share is arrived at after the adjustments referred to in Appendix II "Unaudited Pro Forma Financial Information" to this prospectus.

### OUR SHAREHOLDERS

Immediately following completion of the Global Offering, but without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, Suntecli, Samwood, Mr. WS Lau, Mr. Fong and Mr. Leung will control, in aggregate, approximately 74.9% of our issued share capital.

For the purpose of the Listing Rules, Suntecli, Samwood, Mr. WS Lau, Mr. Fong and Mr. Leung are our Controlling Shareholders.

Our Controlling Shareholders have been parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) in the course of the Reorganisation and will continue to be parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) until such arrangement is terminated in writing by them pursuant to the Concert Party Deed. For details, please refer to the paragraph headed "History, Reorganisation and Group Structure – Concert Party Deed" in this prospectus.

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## SUMMARY

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Suntecli is owned as to approximately 94.65%, 1.07%, 1.07%, 1.07%, 1.07% and 1.07% by Mr. WS Lau, our Chairman, an executive Director and a Controlling Shareholder, Ms. Wong Po Lin, Ms. So, Mr. CS Lau, an executive Director, Mr. CH Lau, our vice Chairman and an executive Director, and Mr. Ian Lau, respectively. Ms. Wong Po Lin, Ms. So, Mr. CS Lau, Mr. CH Lau and Mr. Ian Lau are family members of Mr. WS Lau.

Samwood is owned as to 79% and 21% by Mr. Fong, our chief executive officer, an executive Director and a Controlling Shareholder, and Mr. Yeung, respectively.

### **DIVIDEND POLICY**

For each of the three preceding financial years ended 31 March 2015, members of our Group declared dividends of nil, HK\$4.5 million and HK\$60.0 million, representing approximately nil, 11.4% and 96.3% of the respective period's net profit attributable to shareholders. The declared dividends were paid from our internal resources in April 2015. The 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 our Board in the future. For details, please refer to the paragraph headed "Financial Information-Dividend Policy" in this prospectus.

### **RISK FACTORS**

Potential investors are advised to carefully read the section "Risk Factors" in this prospectus before making any investment decision in the Offer Shares. Some of the more particular risk factors include:

- We have a concentrated clientele base and any decrease in the number of projects with our top five customers would adversely affect our operations and financial results.
- Our revenue is mainly derived from projects which are not recurring in nature and any decrease in the number of our projects would affect our operations and financial results.
- Our gross profit margin had been dominated by significant foundation works projects and is affected by a number of factors and varies from project to project, yet there is no assurance that we will secure significant future projects with our historical gross profit margins. If the gross profit margins of our significant future projects are lower than our historical gross profit margins, our financial performance and profit would be adversely affected.
- We depend on our suppliers for diesel fuel and construction materials, 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.



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## SUMMARY

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- We were involved in certain ongoing legal proceedings against us as at the Latest Practicable Date. If we were found liable, we might have to make compensations, incur significant financial loss, and suffer damage to our reputation.
- 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 determine the price of our quotation or tender based on the estimated time and costs to be involved in a project, yet the actual time and costs incurred may deviate from our estimate due to unexpected circumstances, thereby adversely affecting 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.
- 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 records of non-compliance with certain Hong Kong and Macau regulatory requirements which could lead to the imposition of fines.

### **HISTORICAL NON-COMPLIANCE INCIDENTS**

There were instances where our Group failed to comply with certain applicable laws and regulations in Hong Kong and Macau during the Track Record Period, including, among others: (i) non-compliance with Government leases, Buildings Ordinance, Building (Construction) Regulations and occupation permit in respect of permitted use of properties and additional works performed; (ii) certain statutory requirements in the Companies Ordinance and Predecessor Companies Ordinance in respect of matters such as timely adoption of audited accounts, late filing of annual returns and various forms of notice; (iii) the Inland Revenue Ordinance in respect of timely filing of notification in relation to commencement and cessation of employment; (iv) Mandatory Provident Fund Schemes Ordinance in respect of mistaken employment status of our employees and ex-employees and incorrect amount of MPF contribution paid to employees; (v) Employees' Compensation Ordinance in respect of the notifications to the Commissioner of Labour regarding injuries of our employees; and (vi) Complementary Tax Regulation 《所得補充稅章程》 in respect of incorrect tax deductible. For details of such non-compliance incidents and the respective rectification actions taken, please refer to the paragraph headed "Business – Legal Proceedings and Legal Compliance" in this prospectus.

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## DEFINITIONS

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

“Application Form(s)”	<b>White</b> Application Form(s) and <b>Yellow</b> Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offer
“Articles of Association” or “Articles”	the articles of association of our Company, adopted on 9 May 2015 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 III to this prospectus
“Architectural Services Department”	Architectural Services Department, one of the departments of the Development Bureau, which provides professional and technical advice on all matters relating to public buildings (except public housing)
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	our board of Directors
“Budget”	the annual budget of the Government
“Budget Speech”	the annual budget speech by the Financial Secretary of Hong Kong
“Building Authority”	the Building Authority of the Government
“Buildings Department”	the Buildings Department of the Government
“Buildings Ordinance”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“business day”	any day (other than a Saturday, Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

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## DEFINITIONS

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“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct 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. WS Lau
“China” or “PRC”	the People’s Republic of China and, except where the context otherwise requires and for the purpose of this prospectus only, does not include Hong Kong, Macau and Taiwan
“Chung Hang”	Chung Hang Enterprises Holdings Limited (中恆企業控股有限公司), a company incorporated in Hong Kong with limited liability on 10 December 1997 which is owned by Mr. WS Lau, Ms. Wong Po Lin, Ms. So, Mr. CS Lau, Mr. CH Lau and Mr. Ian Lau as to approximately 94.65%, 1.07%, 1.07%, 1.07%, 1.07% and 1.07%, respectively
“Chung Shun”	Chung Shun Boring Engineering Company Limited (中信鑽探工程有限公司), a company incorporated in Hong Kong with limited liability on 14 December 1995 and an indirectly wholly-owned subsidiary of our Company
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules
“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

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## DEFINITIONS

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“Companies Registry”	the Companies Registry of Hong Kong
“Concert Party Deed”	a confirmatory deed entered into among Chung Hang, Gold Crown and our Controlling Shareholders dated 3 December 2014 to confirm and record the agreement and understanding among the parties for the acknowledgement of their acting in concert (having the meaning as ascribed thereto in the Takeovers Code) relationship, details of which are set out in the paragraph headed “History, Reorganisation and Group Structure – Concert Party Deed” in this prospectus
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transactions(s)”	has the meaning ascribed thereto under the Listing Rules
“Construction Industry Council”	the Construction Industry Council of Hong Kong
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, and in the context of our Company, means Suntecli, Samwood, Mr. WS Lau, Mr. Fong and Mr. Leung
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Corporate Governance Code”	Appendix 14 to the Listing Rules, as amended, supplemented or otherwise modified from time to time
“Deed of Indemnity”	the deed of indemnity dated 12 May 2015 given by our Controlling Shareholders in favour of our Company (for ourselves and for the benefit of 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 indemnities” in Appendix IV to this prospectus
“Deed of Non-competition”	the deed of non-competition dated 12 May 2015 given by our Controlling Shareholders in favour of our Company (for ourselves and for the benefit of our subsidiaries) regarding non-competition undertaking, details of which are set out in the paragraph headed “Relationship with our Controlling Shareholders – Deed of Non-Competition” in this prospectus
“Development Bureau”	the Development Bureau of the Government

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## DEFINITIONS

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“Director(s)”	the director(s) of our Company
“F1/2/3/4/5/6/7/8/9/10/11/12/13”	foundation works project F1/2/3/4/5/6/7/8/9/10/11/12/13, for details of these projects, please refer to the paragraph headed “Business – Our Works – Our projects” in this prospectus
“FY2013”	the financial year ended 31 March 2013
“FY2014”	the financial year ended 31 March 2014
“FY2015”	the financial year ended 31 March 2015
“GI1/2”	grand investigation field works project GI1/2, for details of these projects, please refer to the paragraph headed “Business – Our Works – Our projects” in this prospectus
“Global Offering”	the Hong Kong Public Offer and the International Placing
“Gold Crown”	Gold Crown Consultants Limited (嘉豪顧問有限公司), a company incorporated in Hong Kong with limited liability on 9 March 1998 which is owned by Mr. Fong and Mr. Yeung as to 79% and 21%, respectively
“Government”	the Government of Hong Kong
“HK\$” or “Hong Kong dollars” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRs”	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”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Public Offer Shares”	20,000,000 New Shares being initially offered by us for subscription pursuant to the Hong Kong Public Offer, subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus



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## DEFINITIONS

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“Hong Kong Public Offer”	the offer of the Hong Kong Public Offer Shares for subscription by the members of the public in Hong Kong for cash at the Offer Price (plus brokerage of 1%, 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 this prospectus and the Application Forms
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offer whose names are set forth in the paragraph headed “Underwriting – Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the conditional underwriting agreement dated 27 July 2015 relating to the Hong Kong Public Offer entered into between, among others, our Company and the Hong Kong Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Housing Authority”	the Housing Authority of the Government
“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
“International Placing”	the conditional placing by the International Underwriters of the International Placing Shares at the Offer Price to selected professional, institutional and other investors as set forth in the section headed “Structure of the Global Offering” in this prospectus
“International Placing Shares”	the 180,000,000 Shares, comprising 80,000,000 New Shares being initially offered by us for subscription and 100,000,000 Sale Shares being initially offered by the Selling Shareholders for purchase pursuant to the International Placing, subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus

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## DEFINITIONS

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“International Underwriters”	the underwriters of the International Placing, who are expected to enter into the International Underwriting Agreement to underwrite the International Placing Shares
“International Underwriting Agreement”	the conditional underwriting and placing agreement relating to the International Placing expected to be entered into on or about the Price Determination Date by, among others, our Company, the Joint Global Coordinators and the International Underwriters, particulars of which are summarised in the section headed “Underwriting” in this prospectus
“Ipsos”	Ipsos Hong Kong Limited, an Independent Third Party, being a professional market research company
“Ipsos Report”	the commissioned report on the market overview and competitive analysis for the foundation industry in Hong Kong dated 20 July 2015 compiled by Ipsos
“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 Shareholders passed on 9 May 2015” in Appendix IV to this prospectus
“Joint Global Coordinators”, or “Joint Bookrunners”, or “Joint Lead Managers”	Kingston Securities Limited and Kingsway Financial Services Group Limited
“Latest Practicable Date”	20 July 2015, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“Legal Counsel”	Mr. Chan Chung, barrister-at-law of Hong Kong
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date expected to be on or about 11 August 2015, on which our Shares are listed and dealings in our Shares commence on the Stock Exchange

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## DEFINITIONS

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“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 the PRC
“Main Board”	the stock exchange (excluding the option markets) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum of Association”	the memorandum of association of our Company, adopted on 9 May 2015, as amended, supplemented or otherwise modified from time to time
“MOP\$” or “Pataca”	Macau Pataca, the lawful currency of Macau
“Mr. CH Lau”	Mr. Lau Chi Hing (劉志興), our vice Chairman, an executive Director and a son of Mr. WS Lau
“Mr. CS Lau”	Mr. Lau Chi Shing (劉志成), an executive Director and a son of Mr. WS Lau
“Mr. Fong”	Mr. Fong Hon Hung (方漢鴻), our chief executive officer, an executive Director and a Controlling Shareholder
“Mr. Ian Lau”	Mr. Lau Chi Hang Ian (劉志恆), a director and a shareholder of Chung Hang, and a son of Mr. WS Lau
“Mr. Leung”	Mr. Leung Man Lun Stephen (梁文麟), an executive Director and a Controlling Shareholder
“Mr. WS Lau”	Mr. Lau Woon Si (劉煥詩), our Chairman, an executive Director and a Controlling Shareholder
“Mr. Yeung”	Mr. Yeung Wai Keung Toby (楊偉強), a shareholder of Gold Crown
“Ms. So”	Ms. So Choi (蘇才), spouse of Mr. WS Lau and a shareholder of Chung Hang
“Ms. Yeung”	Ms. Yeung Siu Lai Shirley (楊少麗), a former shareholder of Chung Shun and a Shareholder holding approximately 0.11% of our issued Shares immediately following completion of the Global Offering (assuming that any options granted under the Share Option Scheme are not exercised)

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## DEFINITIONS

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“MTR”	the mass transit railway of Hong Kong
“New Shares”	the 100,000,000 new Shares to be offered for subscription pursuant to the Global Offering
“Offer Price”	the final price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and the Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for or purchased pursuant to the Global Offering, to be determined in the manner further described in the paragraph headed “Structure of the Global Offering – Pricing and Allocation – Determining the Offer Price” in this prospectus
“Offer Shares”	the Hong Kong Public Offer Shares and the International Placing Shares
“Policy Address”	the annual address by the Chief Executive of Hong Kong
“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
“Price Determination Agreement”	the agreement expected to be entered into between our Company (for itself and on behalf of the Selling Shareholders) and Kingston Securities Limited (for itself and on behalf of the Underwriters) on or before the Price Determination Date to record the agreement on the final Offer Price
“Price Determination Date”	the date, expected to be on or around 4 August 2015 but no later than 5 August 2015, on which the final Offer Price is to be fixed for the purpose of the Global Offering
“Public Housing Development Program”	the public housing development programme implemented by the Housing Authority
“Reorganisation”	the reorganisation arrangements we have undergone in preparation for the listing of Shares on the Stock Exchange which are more particularly described in the section headed “History, Reorganisation and Group Structure” in this prospectus

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## DEFINITIONS

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“Repurchase Mandate”	the general unconditional mandate to repurchase Shares 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 Shareholders passed on 9 May 2015” in Appendix IV to this prospectus
“Sale Shares”	100,000,000 Shares to be offered by the Selling Shareholders for purchase at the Offer Price under the International Placing
“Samwood”	Samwood Global Limited (森活環球有限公司), a company incorporated in the BVI with limited liability on 3 July 2014 and a Controlling Shareholder which is owned as to 79% and 21% by Mr. Fong and Mr. Yeung, respectively
“Selling Shareholders”	Suntecli, Samwood, Mr. Leung and Ms. Yeung
“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
“Share Option Scheme”	the share option scheme our Company conditionally adopted on 9 May 2015, the principal terms of which are summarised in the paragraph headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of Shares
“Sole Sponsor” or “Kingsway Capital”	Kingsway Capital Limited, a corporation licensed to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, the sole sponsor of the Global Offering
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules



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## DEFINITIONS

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“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Suntecli”	Suntecli Company Limited (新得利有限公司), a company incorporated in the BVI with limited liability on 19 September 2014 and a Controlling Shareholder which is owned as to approximately 94.65%, 1.07%, 1.07%, 1.07%, 1.07% and 1.07% by Mr. WS Lau, Ms. Wong Po Lin, Ms. So, Mr. CS Lau, Mr. CH Lau and Mr. Ian Lau, respectively
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Ten Major Infrastructure Projects”	the ten major infrastructure projects launched by the Government, namely, South Island Line, Lok Ma Chau Loop, Sha Tin to Central Link, West Kowloon Cultural District, Tuen Mun-Chek Lap Kok Link and Tuen Mun Western Bypass, Kai Tak Development, Guangzhou-Shenzhen-Hong Kong Express Rail Link, Hong Kong-Zhuhai-Macao Bridge, North East New Territories New Development Areas and Hong Kong-Shenzhen Western Express Line
“Track Record Period”	the period comprising the three financial years ended 31 March 2015
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States
“Wan Chai Development”	the project implemented by the Government to provide land at Wan Chai North and North Point for construction of the Central – Wan Chai Bypass and Island Eastern Corridor Link
“Wan Kei Engineering”	Wan Kei Geotechnical Engineering Company Limited (宏基土力工程有限公司), a company incorporated in Hong Kong with limited liability on 4 May 1995 and an indirectly wholly-owned subsidiary of our Company

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## DEFINITIONS

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“Wan Kei Machinery”	Wan Kei Machinery Company Limited (宏基機械有限公司), a company incorporated in Hong Kong with limited liability on 27 May 1998 and an indirectly wholly-owned subsidiary of our Company
“Wan Kei (Macau)”	Wan Kei (Macau) Civil And Foundation Construction Company Limited (宏基(澳門)地基建築工程有限公司), a company incorporated in Macau with limited liability on 10 December 2004 and since 5 December 2014, an indirectly wholly-owned subsidiary of our Company
“Wan Wai”	Hong Kong Wan Wai Company Limited (香港宏偉有限公司), a company incorporated in the BVI with limited liability on 30 September 2014 and the intermediate holding company of our Group
“we”, “us”, “our”, “our Company”, and “our Group”	Wan Kei Group Holdings Limited (宏基集團控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 7 October 2014 and, unless the context otherwise requires, all of our subsidiaries, or where the context refers to any time prior to our incorporation, the business in which the predecessors of our present subsidiaries were engaged and which were subsequently assumed by such subsidiaries pursuant to the Reorganisation
“WHITE Application Form(s)”	the application form(s) to be completed in accordance with the instructions in the paragraph headed “How to Apply for Hong Kong Public Offer Shares – Applying for Hong Kong Public Offer Shares” in this prospectus
“YELLOW Application Form(s)”	the application form(s) to be completed in accordance with the instructions in the paragraph headed “How to Apply for Hong Kong Public Offer Shares – Applying for Hong Kong Public Offer Shares” in this prospectus

*Certain amounts and percentage figures included in this prospectus 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 this prospectus is as at the date of this prospectus.*

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## GLOSSARY OF TECHNICAL TERMS

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

“CAGR”	Compound annual growth rate, a method of assessing the average growth of a value over time
“GDP”	Gross Domestic Product
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	quality management systems model published by ISO for quality assurance in design, development, production, installation and servicing
“ISO 14001”	an international standard that gives a framework for an environmental management system
“king posts”	a vertical pile formed by steel H-pile, mini pile or casing, which intends to support the struts of the shoring system during the excavation
“OHSAS”	acronym for Occupational Health and Safety Management System, which provides a framework for organisations to identify and control its health
“OHSAS 18001”	an international standard that gives a framework for an occupational health and safety management system
“main contractor”	a contractor, appointed by the project employer, who is generally responsible for the administration and overall supervision of all the construction works involved in the construction project and delegate specific work tasks of the construction to different subcontractors
“mini piles”	a type of pile which consists of one or more high yield steel bars embedded in rock socket, which in general have a diameter between 100mm and 400mm

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## GLOSSARY OF TECHNICAL TERMS

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“percussive piling”	a type of construction activity by sinking or driving a pile by direct or indirect hammering or other percussive means, including piling by the use of a drop hammer, diesel hammer, double acting hammer, single acting hammer, internal drop hammer, pneumatic hammer, steam hammer or other percussive device, other than a device that is portable and designed for operation while held by hand without any other form of support
“pile cap”	a concrete structure built on the head of a pile or a group of piles for transmission of loads from structure above to the pile or group of piles
“piling”	any work in connection with or for the sinking or forming of a pile in the ground by hammering, jacking, screwing, augering, boring, jetting, vibrating, casting or any other means and also means the driving or sinking of any casing or tube into the ground to form a well or shaft for foundation purposes, whether or not the casing or tube is later extracted
“pipe piles”	a type of pile designed to use circular steel tubes or pipes to provide intermitted vertical support and are installed before excavation commence
“Registered Contractor”	a contractor whose name is entered into the registers of general building contractors and specialist contractors, being kept by the Building Authority
“socketed H-piles” or “rock socketed H-piles”	a type of pile formed by inserting a steel H-pile section into a prebored hole formed into the bedrock and the prebored hole is then filled with non-shrink cement grout
“soldier piles”	a type of pile constructed of steel H sections spaced about 0.8m to 1m apart that provide intermitted vertical support and are installed before excavation commence
“Specialist List”	the List of Approved Suppliers of Materials and Specialist Contractors for Public Works as kept by the Development Bureau
“Specialist List Group I”	the Specialist List for contracts or sub-contracts up to HK\$3.4 million per contract
“Specialist List Group II”	the Specialist List for contracts or sub-contracts of unlimited value

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## GLOSSARY OF TECHNICAL TERMS

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“sq. ft.”	square feet
“sq. m.”	square metres
“%”	per cent

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## FORWARD-LOOKING STATEMENTS

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This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections “Summary”, “Risk Factors”, “Industry Overview”, “Business”, “Financial Information” and “Future Plans and Use of Proceeds” of this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section “Risk Factors” of this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies;
- our capital expenditure and future plans;
- our ability to identify and successfully take advantage of new business development opportunities;
- our dividend policy;
- our prospective financial information; and
- changes to the regulatory and operating conditions in the industry and market in which we operate.

The words “anticipate”, “believe”, “could”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations in Hong Kong relating to any aspect of our business or operations;
- general economic, market and business conditions in Hong Kong;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;
- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of



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## **FORWARD-LOOKING STATEMENTS**

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these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section “Risk Factors” in this prospectus.

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## RISK FACTORS

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*Prospective investors should consider carefully all of the information set forth in this prospectus and, in particular, should consider the following risks and special considerations in connection with an investment in our Company before making any investment decision in relation to the Offer Shares. The occurrence of any of the following risks may have a material adverse effect on the business, results of operations, financial conditions and future prospects of our Group.*

*This prospectus contains certain forward-looking statements regarding our plans, objectives, expectations, and intentions which involve risks and uncertainties. Our Group's actual results could differ materially from those discussed in this prospectus. Factors that could cause or contribute to such differences include those discussed below as well as those discussed elsewhere in this prospectus. The trading price of the Offer Shares could decline due to any of these risks and you may lose all or part of your investment.*

We believe that there are certain risks involved in our business and operations. They can be classified into: (i) risks relating to our business; (ii) risks relating to the industry in which we operate; (iii) risks relating to Hong Kong; (iv) risks relating to the Global Offering; and (v) risks relating to statements in this prospectus.

### **RISKS RELATING TO OUR BUSINESS**

#### **We have a concentrated clientele base and any decrease in the number of projects with our top five customers would adversely affect our operations and financial results**

A significant portion of our revenue was derived from a small number of customers during the Track Record Period. Our top five customers for each of the three years ended 31 March 2015 accounted for approximately 72.7%, 83.3% and 65.8% of our revenue of the same period, respectively. For the same period, our largest customer accounted for approximately 21.4%, 36.7% and 15.8% of our revenue, respectively.

Save and except the master agreements of ground investigation field works project GI1 and GI2, we did not enter into any long-term service agreement with any of our customers during the Track Record Period and up to the Latest Practicable Date. As such, there is no assurance that we will be able to retain our customers or that they will maintain their current level of business with us in the future. If there is a significant decrease in the number of projects awarded by our top five customers to us for whatever reasons, and we are unable to obtain suitable projects of a comparable size and quantity as replacement, our financial condition and operating results would be materially and adversely affected. Besides, if any of our top five customers during the Track Record Period experiences any liquidity problem, it may result in delay or default of progress payments to us, which in turn would have an adverse impact on our cash flows and financial conditions. We cannot guarantee that we will be successful in diversifying our clientele base by obtaining significant number of new projects from new or other existing customers.

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## RISK FACTORS

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

All of our revenue during the Track Record Period was derived from providing foundation works and ground investigation field works in Hong Kong, and our engagements with customers were on a project basis and non-recurring in nature. Save and except the master agreements of ground investigation field works project GI1 and GI2, we did not enter into any long-term agreement or master service agreement with our customers during the Track Record Period and up to 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 entire tender or quotation selection 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**

For each of the three years ended 31 March 2015, our revenue was approximately HK\$255.1 million, HK\$325.5 million and HK\$408.1 million, respectively. For the same period, our profit and total comprehensive income was approximately HK\$39.7 million, HK\$39.5 million and HK\$62.3 million respectively. For each of the three years ended 31 March 2015, our gross profit was approximately HK\$65.8 million, HK\$68.7 million and HK\$114.2 million, respectively, whereas our gross profit margin for the same period was approximately 25.8%, 21.1% and 28.0%, respectively. For discussions as to our results of operations, please refer to the paragraph headed “Financial Information – Period to Period Comparison of Results of Operations” in this prospectus.

There is 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 foundation industry in Hong Kong, intensification of competition among foundation subcontractors, aggravation in labour shortage, and other unforeseen factors such as adverse weather and geological 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.

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## RISK FACTORS

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**Our gross profit margin had been dominated by significant foundation works projects and is affected by a number of factors and varies from project to project, yet there is no assurance that we will secure significant future projects with our historical gross profit margins. If the gross profit margins of our significant future projects are lower than our historical gross profit margins, our financial performance and profit would be adversely affected**

For each of the three years ended 31 March 2015, our gross profit was approximately HK\$65.8 million, HK\$68.7 million and HK\$114.2 million, respectively, whereas our gross profit margin for the same period was approximately 25.8%, 21.1% and 28.0%, respectively. During the Track Record Period, our revenue and gross profit had been dominated by significant foundation works projects. Aggregate revenue from foundation works with recognised revenue of not less than HK\$13 million accounted for approximately 55.0%, 70.3% and 61.5% of our total revenue, respectively, having been contributed by 5, 4 and 7 projects, respectively. The gross profit margins for foundation works projects with recognised revenue not less than HK\$13 million were approximately 28.7%, 21.9% and 28.4%, respectively. The gross profit margin of our significant project depends on a number of factors, including but not limited to (i) scope of work; (ii) technical complexity; (iii) geological conditions of the work sites; (iv) supplemental and/or variation orders; and/or (v) work programme of the main contractors, and varies from project to project. There is no assurance that we will secure significant future projects with our historical gross profit margins. If the gross profit margins of our significant future projects are lower than our historical gross profit margins or the foundation industry experiences a downturn and the competition for price intensifies, our financial performance and profit would be adversely affected.

**We depend on our suppliers for diesel fuel and construction materials, 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 diesel fuel, steel and cement. For each of the three years ended 31 March 2015, our total purchase cost of diesel fuel, steel and cement amounted to approximately HK\$49.1 million, HK\$57.7 million and HK\$68.7 million, respectively representing approximately 26.0%, 22.5% and 23.3% of our total direct costs, respectively.

If there is any shortage of diesel fuel and/or construction materials, 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.

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## RISK FACTORS

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If there is any deterioration in the quality of diesel fuel and construction materials 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 were involved in certain ongoing legal proceedings against us as at the Latest Practicable Date. If we were found liable, we might have to make compensations, incur significant financial loss, and suffer damage to our reputation**

As at the Latest Practicable Date, we were involved in a number of ongoing legal proceedings against us. For details, please refer to the paragraph headed “Business – Legal Proceedings and Legal Compliance” in this prospectus.

There is no assurance that the outcomes of the above proceedings would be favourable to us. If we were liable to make substantial amounts of damages, it would result in significant financial loss, damages to our reputation in the foundation industry, and adversely affect our financial conditions. In addition, we may have to incur huge expenditures in defending ourselves in such proceedings.

**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, sub-subcontractors and other project parties from time to time in respect of various matters, including delay in completion of foundation works, personal injury claims, complaints about the quality of completed works and damages to machinery and equipment arising from daily operation.

Further, disputes may arise between us and the main contractor or employer as to the value of work properly done in a particular period, and the progress payment that we are entitled to in the relevant period. In some projects, the subcontracts may include variation clauses which empower the employers of the construction project and/or the main contractors to give instructions to vary the subcontract 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 subcontract 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.

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## RISK FACTORS

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

We determine the price of tender 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 – Business Model and Our Operation – Project quotation” in this prospectus. The actual time and costs incurred by us, however, may be adversely affected for various factors, including but not limited to: (i) unexpected geological conditions in the underground of the work sites; (ii) unfavourable weather conditions; (iii) disputes with customers, suppliers, sub-subcontractors and other project parties; (iv) difficulties in retaining necessary number of workers with requisite skills; (v) receipt of variation or supplemental orders from our customers; (vi) unexpected fluctuations in the market price of construction materials such as cement, steel and diesel fuel after the commencement of project; and (vii) other unforeseen circumstances. Significant changes in any of these or other relevant factors may lead to delay in completion or costs overrun by us, and there is no assurance that the actual time and costs incurred by us would match our initial estimate. Such delays, cost overruns or mismatch of actual time and costs with our estimates may cause our profitability to be lower than what we expected or may expose us to litigation or claims from clients in case of delays.

If we set a significant mark-up margin upon our estimated costs 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 adversely and materially affected.

**Our customers may cancel certain subcontract works by variation orders resulting in the total subcontract sum of that project reduced, which would adversely affect our operations and financial results**

Depending on the terms and conditions of the subcontracts, the main contractors may give instructions to vary the subcontract works which we are generally obliged to follow. Such variation orders could be addition, modification or cancellation of the subcontract works. For any subcontract works to be cancelled, the total subcontract sum of that project is to be deducted according to the rates and prices of such subcontract works as stated in the agreed quotation.

Our Directors consider that the material cancellation of the subcontract works by our customers during the Track Record Period consisted of six works orders of our ground investigation field works project GI2 and one foundation works project with Customer F, which in aggregate amounted to nil, nil and approximately HK\$7.3 million for each of the three years ended 31 March 2015, respectively.

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## RISK FACTORS

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There is no assurance that there would not be any further cancellation of subcontract works by our customers in the future and our customers may cancel the subcontract works in a material manner. If our customer cancels the subcontract works in a material manner, resulting in a significant reduction of the total subcontract 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 costs, including but not limited to: (i) purchase costs of construction materials and diesel fuels; (ii) rental costs for machinery; and (iii) salary payments to our workers and our sub-subcontractors' workers. 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 – Business Model and Our Operation" in this prospectus.

As at 31 March 2014 and 31 March 2015, the trade debtors amounted to approximately HK\$15.0 million and HK\$24.3 million respectively, representing an increase of approximately HK\$9.3 million or 62%, whereas the respective debtors accounted for approximately 7.9% and 10.7% of the total current assets respectively. In addition, the trade debtors progress billing days were approximately 48 days, 16 days and 22 days for each of the three years ended 31 March 2015, respectively. For details of the fluctuations in our retention receivables from customers and trade debtors progress billing days, please refer to the paragraph headed "Financial Information – Net Current Assets – Trade and other receivables" in this prospectus. 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 the main contractor or employer 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 debtors' turnover days to collect payments. This will negatively affect our cash flows and financial performance.

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

As a subcontractor, we will delegate specific work tasks to different sub-subcontractors from time to time. We also rely on machinery and equipment to carry out our operations, and need to purchase various construction materials including cement, dry sand and steel to complete our subcontract works. 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.



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## RISK FACTORS

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As at 31 March 2014 and 31 March 2015, the trade creditors amounted to approximately HK\$44.5 million and HK\$21.5 million respectively, representing a decrease of approximately HK\$23.0 million or 51.7%, whereas the respective trade creditors accounted for approximately 49.6% and 18.5% of the total current liabilities respectively. In addition, the trade creditors' turnover days were approximately 66 days, 63 days and 27 days for each of the three years ended 31 March 2015, respectively. For details of the fluctuations in our retention payables to our suppliers and the trade creditors' turnover days, please refer to the paragraph headed "Financial Information – Net Current Assets – Trade and other payables" in this prospectus.

We rely on cash inflow from our customers to meet our payment obligations to our suppliers. As discussed in the preceding paragraph above, 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.

**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 staff and sub-subcontractors' staff. For details, please refer to the paragraph headed "Business – Work Safety" in this prospectus. 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 construction 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 foundation 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. WS Lau, our Chairman and executive Director, Mr. CH Lau, our vice Chairman and executive Director, and Mr. Fong, our executive Director and chief executive officer. Mr. WS Lau, Mr. CH Lau and Mr. Fong have been key members of our management team and playing a pivotal managerial role in areas such as conducting our daily operations and formulating our long-term business strategies. If one or more of our executive Directors or members of senior management is/are unable or

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## RISK FACTORS

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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 sub-subcontractors, who are Independent Third Parties, to handle some of our foundation works and we exercise minimal control over their work performance. Any delay or defects in their work would adversely affect our operations and financial results**

During the Track Record Period, we sub-subcontracted part of our foundation works, or a particular step, such as drilling, welding and/or grouting, in relation to the entire or certain portions of the foundation works to our sub-subcontractors who are Independent Third Parties. For each of the three years ended 31 March 2015, the total cost of engaging our sub-subcontractors amounted to approximately HK\$39.3 million, HK\$53.4 million and HK\$69.7 million, representing approximately 20.8%, 20.8% and 23.7% of our total direct costs, respectively. For details of our arrangements with sub-subcontractors, please refer to the paragraph headed “Business – Our Suppliers – Sub-subcontracting” in this prospectus.

There is no assurance that we would be able to closely monitor the performance of our sub-subcontractors. If the sub-subcontractors fail to meet our requirements, we may experience delay in project completion, quality issues concerning the works done, or non-performance by sub-subcontractors. Consequently, we may have to incur significant time and costs 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 sub-subcontractors may not always be readily available whenever we need to engage them. Notwithstanding our proven working relationship with sub-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 sub-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 sub-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 sub-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.

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## RISK FACTORS

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

We rely on a stable workforce to carry out our foundation works. In particular, we require a large number of construction workers with various skills and expertise. According to the Ipsos Report, however, Hong Kong has experienced a shortage of skilled labour in the construction industry due to the commencement of the Ten Major Infrastructure Projects. According to the Government and the Construction Industry Council's forecast released in October 2014, the construction industry will face a shortage of about 10,000 to 15,000 skilled workers in the coming years.

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 costs. However, 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, which would adversely affect our operations, business growth and financial results**

We rely on the skills, expertise and experience of our employees to provide quality foundation service to our customers. Our employees may terminate their employment with us prematurely and we may not be able to retain them. Experienced and skilled workers in the foundation industry are highly sought after, and competition for talent is intense. Our direct labour cost amounted to approximately HK\$35.6 million, HK\$45.2 million and HK\$51.4 million for each of the three years ended 31 March 2015, respectively representing approximately 18.8%, 17.6% and 17.5% of our total direct costs respectively for the same period.

If we experience any failure to attract and retain competent personnel or any material increase in staffing costs 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.

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## RISK FACTORS

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**We may be unable to procure and/or handle further projects due to the limited capacity of our machinery and equipment and/or our machinery and equipment becoming obsolete as a result of technological developments in foundation industry**

Our foundation works can be generally regarded as machinery intensive works. As such, our ability to handle existing projects or compete for new projects is highly dependent on the number of machinery and equipment available for deployment in construction sites. Our major machinery includes air compressors, drilling rigs and crawler cranes, and we consider that they had generally been highly utilised during the Track Record Period. As such, we may be unable to procure and/or handle further projects due to the limited capacity of our machinery and equipment. In view of the same, during the Track Record Period, we acquired and rented machinery and equipment from our suppliers in order to cope with the increasing demands for our services. For details of our machinery and equipment, please refer to the paragraph headed “Business – Machinery and Equipment” in this prospectus.

Nevertheless, there can be no assurance that we would be able to acquire or rent sufficient number of machinery and equipment, at reasonable costs and in a timely manner, nor can we guarantee that they would function properly at all material times and they would not become obsolete as a result of technological developments in foundation industry. We also cannot guarantee that we would be able to arrange immediate repair and/or replacement for our impaired machinery and equipment in timely and cost-effective manner.

As a result, we may not be able to expand our capacity successfully in order to cope with the increasing demands expected from future projects. If we fail to do so, our ability to handle existing projects or compete for new projects may be significantly reduced, which would in turn affect our business, financial conditions and operating results.

**Expiry, withdrawal, revocation, downgrading and/or failure to renew any of our various registrations and certifications would adversely affect our operations and financial results**

We possess various licenses and qualifications in relation to our execution of foundation works and ground investigation field works in Hong Kong. As at the Latest Practicable Date, we were a registered specialist contractor for foundation works under the Building Authority. We were also included in Specialist List Group II under the category of “Land Piling”. For details of our licenses and qualifications, and their respective applicability in our business, please refer to the paragraph headed “Business – Major Qualifications and Licenses” in this prospectus.

These registrations and/or licenses may only be valid for a limited period of time and may be subject to periodic reviews and renewal by the relevant Government authorities. There can be no assurance that we would be able to renew the registrations and/or licenses in a timely manner or at all. If we fail to do so, we may be required to suspend our operations, which would have a material adverse effect on our business and operating results.

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## RISK FACTORS

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Further, the relevant Government authorities may remove us from their lists or take other disciplinary actions against us such as suspension, downgrading to probationary status, or demotion to a lower group in respect of all or any work category for various reasons, including but not limited to sub-standard works and failure to implement adequate safety measures etc. The occurrence of any of the above scenarios would damage our reputation in the construction industry, limit our ability to compete for new projects and impair our exposure to our customers, which in turn would have an adverse effect on our growth and operations.

**We rely on our information management systems, the breakdown or disruption of which would adversely affect our operations and financial results**

We rely on our information management systems to oversee our project progress, manage our working schedule, monitor our inventory requirements, allocate our resources and review our performance, which enables us to review our capacity, trace our project information and assess our project progress in a timely and systematic manner. Any long-term breakdown or failure of our information management systems, whether as a result of human error or natural disaster, may materially and adversely affect our operations and financial results.

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

As a subcontractor of foundation works and a main contractor of ground investigation field works, 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 costs 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 customers for breach of contract and be required to pay liquidated damages or other penalties**

In some projects, the subcontracts may set out the due date of the subcontract works. If we fail to complete the subcontract works by the due date, we may be required to compensate our customers according to the mechanism stated in the subcontracts, unless they agree to grant us time extension to complete the remaining works.

There may be delay or disruption to our foundation works due to unforeseen circumstances that are beyond our expectation or control, including but not limited to: (i) unexpected geological conditions in the underground of the work sites; (ii) unfavourable weather conditions; and/or (iii) other construction risks such as work injuries and disputes with customers, suppliers, sub-subcontractors and other project parties.

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## RISK FACTORS

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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 foundation 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.

### **We have records of non-compliance with certain Hong Kong and Macau regulatory requirements which could lead to the imposition of fines**

There have been a number of instances of non-compliance with certain Hong Kong and Macau regulatory requirements on various occasions by our Group. These include, among others: (i) non-compliance with Government leases, Buildings Ordinance, Building (Construction) Regulations and occupation permit in respect of permitted use of properties and additional works performed; (ii) certain statutory requirements in the Companies Ordinance and Predecessor Companies Ordinance in respect of matters such as timely adoption of audited accounts, late filing of annual returns and various forms of notice; (iii) the Inland Revenue Ordinance in respect of timely filing of notification in relation to commencement and cessation of employment; (iv) Mandatory Provident Fund Schemes Ordinance in respect of mistaken employment status of ex-employees and incorrect accounting treatment of employees' remuneration; (v) Employees' Compensation Ordinance in respect of the notifications to the Commissioner of Labour regarding injuries of our employees; and (vi) Complementary Tax Regulation 《所得補充稅章程》 in respect of shortfall of cost incurred and incorrect tax deductible. For details, please refer to the paragraph headed "Business – Legal Proceedings and Legal Compliance – Legal compliance" in this prospectus.

If the relevant Government authorities take enforcement actions against our executive Directors or Group members, and/or our Controlling Shareholders fail to indemnify us to a sufficient extent or at all, we may be required to pay certain penalties, and our reputation, cash flow and results of operations may be adversely affected.

### **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. For foundation works projects, typical claims such as accidents and personal injuries suffered by workers retained by us and our sub-subcontractors are generally covered by the insurance policy maintained by the main contractors or employers of the construction projects. For ground investigation field works projects, we are generally engaged as the main contractor and obliged to maintain insurance policy to cover accidents and injuries happened in the relevant construction site. As to our machinery deployed in the work sites, we are generally required to maintain our own insurance policy. For details, please refer to the paragraph headed "Business – Insurance" in this prospectus.

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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.

**We plan to consolidate and expand our foundation works capacity in Hong Kong by acquiring additional machinery and equipment, and such expansion may result in increase in depreciation expenses and may adversely affect our operating results and financial position**

To consolidate and expand our foundation works capacity in Hong Kong, we currently plan to acquire additional machinery and equipment. Furthermore, we intend to apply approximately 68.4% of the net proceeds to expand our fleet of machinery and equipment. Our depreciation expenses may increase as a result of the acquisition of additional machinery and equipment.

During the Track Record Period, (i) our Group acquired new machinery and equipment of approximately HK\$30.8 million, HK\$31.2 million and HK\$5.1 million, respectively; and (ii) the depreciation expenses related to our owned plant and equipment and leased plant and equipment (under finance lease) recorded under direct costs amounted to approximately HK\$10.7 million, HK\$17.5 million and HK\$19.2 million, respectively. The estimated depreciation charges for the acquisition of additional machinery and equipment from the uses of the net proceeds amounts to approximately HK\$1.7 million, approximately HK\$4.6 million, approximately HK\$6.5 million and approximately HK\$8.3 million, respectively for each of the four years ending 31 March 2019. Further, the estimated aggregated depreciation charges for the four years ending 31 March 2023 will be approximately HK\$20.5 million. In the event that our depreciation expenses increase substantially due to the acquisition of additional machinery and equipment, our business and financial performance 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 existing fleet of machinery and equipment or potential investments or acquisitions that we may pursue. To meet our capital needs, we may sell additional equity or debt securities



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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.

**Our Company is a holding company and therefore, our Company's ability to pay dividends or make any other distributions depends entirely on distributions received from its subsidiaries, and if there is any restriction against our subsidiaries to make distributions, we may not be able to pay any dividend**

Our Company is a holding company and our operating results and financial position are entirely dependent on the performance of the members of our Group. Our Company's ability to pay dividends will depend on the level of distributions, if any, received from its subsidiaries. The ability of our subsidiaries to make distributions to us may, from time to time, be restricted as a result of several factors, including foreign exchange limitations, the requirements of applicable laws, and regulatory, fiscal or other restrictions of the countries in which our Group has operations.

**There is no assurance that we will pay dividends in the future**

The declaration, payment and amount of any future dividends are subject to the discretion of our Board depending on, among other things, our Group's earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors. For details of our dividend policy, please refer to the paragraph headed "Financial Information – Dividend Policy" in this prospectus. We cannot assure investors when or whether we will pay dividends in the future.

### **RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE**

**Any deterioration in the prevailing market conditions in the foundation 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 foundation industry in Hong Kong. The demand for our services is closely associated with the level of construction activities, especially those related to infrastructure and property development. According to the Ipsos Report, the major growth in the foundation industry in Hong Kong in recent years are partly driven by the commencement of the Ten Major Infrastructure Projects by the Government, as well as Government's policy to increase housing supply in Hong Kong. With the gradual completions of the Ten Major Infrastructure Projects, the revenue growth rate is expected to slow down from 2015 to 2018, at an average rate of around 20.8% per year. There is no assurance that the Government would maintain its spending on infrastructure at the current level. If the Government reduces its spending on infrastructure works or reverses its housing policy, it may have a direct adverse impact on the market conditions of the foundation industry in

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## RISK FACTORS

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Hong Kong, which would likely result in drop in the number of projects awarded to us and reduction in subcontract sum, thereby adversely affecting our performance and financial condition.

In addition, the market conditions of the foundation industry in Hong Kong are influenced by various factors, including but not limited to: (i) shortage of skilled labour; (ii) economic fluctuations in Hong Kong; (iii) availability of new projects in the private sector; and (iv) general conditions and development of Hong Kong economy. 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 foundation works similar to ours. As at 31 December 2014, there were about 134 companies registered at the Buildings Department as Specialist Contractors on the Sub-register of Foundation Works Category and 41 companies included in the Specialist List of the Development Bureau under the land piling category, according to the Ipsos Report. 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 main contractors, and greater marketing and other forms of resources. Further, new participants may enter the industry as they wish provided that they possess all the various licences and qualifications required.

In addition, the foundation works subcontracting industry in Hong Kong has a relatively fragmented competitive landscape. The top five foundation works subcontractors accounted for only approximately 7.9% of the foundation industry in Hong Kong in 2014, which means that no few subcontractors could dominate the foundation industry. If the competition among foundation subcontractors intensifies, we may be under pressure to reduce our quotation or tender price, 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 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 Government policies. The requirements in respect of the granting and/or renewal of various licenses and qualifications in the foundation 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 foundation industry in relation to on 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.

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### **RISKS RELATING TO HONG KONG**

#### **The state of economy in Hong Kong may adversely affect our performance and financial condition**

All of our revenue during the Track Record Period was derived from providing foundation works and ground investigation field works in Hong Kong. If Hong Kong 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 Hong Kong may adversely affect our performance and financial condition**

Hong Kong is a special administrative region of the PRC and enjoys a high level of autonomy under the principle of “one country, two systems” according to the Basic Law of Hong Kong. However, 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 a substantial part of our operations are based in Hong Kong, any change of such political arrangements may pose immediate threat to the stability of the economy in Hong Kong, thereby directly and adversely affecting our results of operations and financial positions.

### **RISKS RELATING TO THE GLOBAL OFFERING**

#### **There has been no prior public market for our Shares and an active trading market for our Shares may not develop or be sustained**

Prior to the Global Offering, no public market for our Shares existed. Following the completion of the Global Offering, the Stock Exchange will be the only market on which the Shares are publicly traded. We cannot assure our investors that an active trading market for our Shares will be developed or be sustained after the Global Offering. In addition, we cannot assure our investors that our Shares will trade in the public market subsequent to the Global Offering at or above the Offer Price. The Offer Price for the Shares is expected to be fixed by the Price Determination Agreement, and may not be indicative of the market price of the Shares following the completion of the Global Offering. If an active trading market for our Shares does not develop or is not sustained after the Global Offering, the market price and liquidity of our Shares could be materially and adversely affected.

#### **The trading price and volume of our Shares may be volatile, which could result in substantial loss to our investors**

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including variations in the level of liquidity of our Shares, changes in securities analysts’ (if any) estimates of our financial performance, investors’ perceptions of our Group and the general investment environment, changes in laws,

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regulations and taxation systems which affect our operations, and general market conditions of the securities markets in Hong Kong. In particular, the trading price performance of our competitors whose securities are listed on the Stock Exchange may affect trading price of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

In addition to market and industry factors, the price and trading volume for our Shares may be highly volatile for specific business reasons. In particular, factors such as variations in our revenue, net income and cash flow, success or failure of our efforts in implementing business and growth strategies and involvement in material litigation as well as recruitment or departure of key personnel, could cause the market price of our Shares to change unexpectedly. Any of these factors may result in large and sudden changes in the volume and trading price of our Shares.

Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins. The Offer Price of our Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until the Listing Date. As a result, investors may not be able to sell or otherwise deal in our Shares during the period between the Price Determination Date and the Listing Date.

Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

**Investors for our Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future**

The Offer Price is higher than the net tangible asset value per Share. Therefore, investors of our Offer Shares will experience an immediate dilution in the unaudited pro forma adjusted net tangible asset value to HK\$0.27 per Share based on the Offer Price at HK\$0.75 per Offer Share (being the mid-point of the proposed Offer Price range).

We may need to raise additional funds due to changes in business conditions, or to finance our future plans, whether in relation to our existing operations, or any acquisitions. If additional funds are raised by way of issuing Shares or equity-linked securities other than on a pro-rata basis to existing Shareholders, shareholding percentage of our existing Shareholders may be reduced, the earnings per Share and the net tangible asset value per Shares would diminish and/or such newly issued securities may have rights, preferences and privileges superior to those of the Shares of our existing Shareholders.

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**Future disposal or perceived disposal by our existing Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares**

Disposal of substantial amounts of our Shares in the public market after the completion of the Global Offering, or the perception that disposal could occur, could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares. There is no assurance that our major Shareholders would not dispose of their shareholdings. Any significant disposal of our Shares by any of the major Shareholders may materially affect the prevailing market price of our Shares. In addition, these disposals may make it more difficult for us to issue new Shares in the future at a time and price we deem appropriate, thereby limiting our ability to raise further capital. We cannot predict the effect of any significant future disposal on the market price of our Shares.

**The interests of our Controlling Shareholders may not always coincide with the interest of our Group and those of our other Shareholders**

Our Controlling Shareholders have significant influence over the operations and business strategies of our Group, and may have the ability to require our Group to effect corporate actions according to their own desires by virtue of their shareholding in our Group. The interests of our Controlling Shareholders may not always coincide with the best interests of other Shareholders. If the interests of any of our Controlling Shareholders conflict with the interests of other Shareholders, or if any of our Controlling Shareholders chooses to cause our Group's business to pursue strategic objectives that conflict with the interests of other Shareholders, our Group or those other Shareholders' interests may be adversely affected as a result.

### **RISKS RELATING TO STATEMENTS IN THIS PROSPECTUS**

**Investors should read the entire prospectus and should not rely on any information contained in press articles or other media coverage regarding us and the Global Offering**

We strongly caution our investors not to rely on any information contained in press articles or other media regarding us and the Global Offering. Prior to the publication of this prospectus, there may be press and media coverage regarding the Global Offering and us. Such press and media coverage may include references to certain information that does not appear in this prospectus, 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 this prospectus, we disclaim responsibility for it and our investors should not rely on such information.

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## RISK FACTORS

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

Certain facts, forecast and other statistics in this prospectus have been derived from various government and official resources. However, 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 Sole Sponsor, the Underwriters 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 this prospectus are subject to risks and uncertainties**

This prospectus 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 “anticipate”, “believe”, “could”, “predict”, “potential”, “continue”, “expect”, “intend”, “may”, “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, amongst 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 the section headed “Risk Factors” in this prospectus. 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 this prospectus are qualified by reference to this cautionary statement.

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

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

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), the Securities and Future (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

### **INFORMATION ON THE GLOBAL OFFERING**

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by us, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information in this prospectus is correct as of any subsequent time.

Details of the structure of the Global Offering, including its conditions, are set out in the section “Structure of the Global Offering” in this prospectus, and the procedures for applying for the Hong Kong Public Offer Shares are set out in the section “How to Apply for Hong Kong Public Offer Shares” in this prospectus and on the relevant Application Forms.

### **UNDERWRITING**

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

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Placing is expected to be entered into on or around the Price Determination Date, subject to, among others, agreement on pricing of the Offer



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

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Shares between Kingston Securities Limited (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholders). The Global Offering is managed by the Joint Global Coordinators.

If, for any reason, the Offer Price is not agreed, the Global Offering will not proceed and will lapse. For further information about the Underwriters and the underwriting arrangements, please see the section “Underwriting” in this prospectus.

### **RESTRICTIONS ON OFFER AND SALE OF SHARES**

Each person acquiring the Hong Kong Public Offer Shares under the Hong Kong Public Offer will be required to confirm, and is deemed by his acquisition of Hong Kong Public Offer Shares to have confirmed, that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

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

### **ELIGIBILITY FOR CCASS**

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

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. You should seek the advice of your stockbroker or other professional advisor for details of those settlement arrangements as such arrangements will affect your rights and interests.

All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

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

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### **APPLICATION FOR LISTING ON THE STOCK EXCHANGE**

Our Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of and permission to deal in the Shares in issue and to be issued pursuant to the Global Offering (including the Shares which may be issued pursuant to the exercise of the options granted pursuant to the Share Option Scheme).

Save as disclosed in this prospectus, no part of the Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought in the near future.

### **SHARE REGISTRAR AND THE STAMP DUTY**

All Shares issued by us pursuant to applications made in the Hong Kong Public Offer will be registered on our branch register of members to be maintained in Hong Kong by our Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183, Queen's Road East, Hong Kong. Our principal register of members will be maintained by our principal share registrar in the Cayman Islands, Appleby Trust (Cayman) Ltd..

Dealings in the Shares registered on our Hong Kong share register will be subject to Hong Kong stamp duty.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

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

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

The application procedure for the Hong Kong Public Offer Shares is set out in the section "How to Apply for Hong Kong Public Offer Shares" in this prospectus and on the relevant Application Forms.

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

Details of the structure of the Global Offering, including their respective conditions, are set out in the section "Structure of the Global Offering" in this prospectus.

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

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### **EXCHANGE RATE CONVERSION**

Solely for your convenience, this prospectus contains translations of certain MOP\$ amounts into Hong Kong dollars at specified rates. You should not construe these translations as representations that the MOP\$ amounts could actually be, or have been, converted into Hong Kong dollar amounts at the rates indicated or at all. Unless we indicate otherwise, the translations of MOP\$ amounts into Hong Kong dollars have been made at the rate of MOP\$1.03 to HK\$1.00.

### **ROUNDING**

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

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### DIRECTORS

Name	Residential Address	Nationality
<b>Executive Directors</b>		
Lau Woon Si (劉煥詩)	Flat B, 18/F, Mayfair, 1 May Road, Mid-Levels, Hong Kong	Chinese
Lau Chi Hing (劉志興)	Flat A, 2/F Yin Court, 8 Cassia Road, Yau Yat Chuen, Kowloon	Chinese
Fong Hon Hung (方漢鴻)	Flat H, 8th Floor, 35 Sai Ning Street, Hong Kong	Chinese
Leung Man Lun Stephen (梁文麟)	111A Che Keng Tuk Road, 2/F & Roof, Sai Kung, New Territories	Chinese
Lau Chi Shing (劉志成)	15/F, Wellive Court, 12 Victory Avenue, Ho Man Tin, Kowloon	Chinese
<b>Independent non-executive Directors</b>		
Ong Chi King(王子敬)	Flat A, 3/F, Yat Wing Mansion, 43 Tai Hong Street, Lei King Wan, Sai Wan Ho, Hong Kong	Chinese
Ho Ho Ming (何昊洺)	Flat E, 40/F, Canary Side, 8 Shung Shun Street, Yau Tong, Kowloon	Chinese
Law Yiu Sing (羅耀昇)	Flat C, 6/F Marlborough House, 154 Tai Hang Road, Happy Valley, Hong Kong	Canada

Further information is disclosed in the section “Directors, Senior Management and Staff” in this prospectus.

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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### PARTIES INVOLVED IN THE GLOBAL OFFERING

**Sole Sponsor**

**Kingsway Capital Limited**

*a corporation licensed to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO*

7/F, Tower One, Lippo Centre  
89 Queensway, Hong Kong

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

**Kingsway Financial Services Group Limited**

*A corporation licensed to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO*

7/F, Tower One, Lippo Centre  
89 Queensway, Hong Kong

**Kingston Securities Limited**

*A corporation licensed to engage in type 1 (dealing in securities) regulated activities under the SFO*

Suite 2801, 28th Floor  
One International Finance Centre  
1 Harbour View Street  
Central, Hong Kong

**Legal advisors to our Company**

*As to Hong Kong law:*

**Loong & Yeung**

*Solicitors, Hong Kong*  
Suites 2001-2006, 20th Floor  
Jardine House  
1 Connaught Place  
Central  
Hong Kong

*As to Macau law:*

**Chio Tak Wo, Advogado**

*Macau lawyer*  
Avenida do Dr. Rodrigo Rodrigues  
No. 600E, Edificio Centro Comercial First Nacional  
21 Andar, Apt. 2106  
MACAU

*As to Cayman Islands law:*

**Appleby**

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

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## DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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<b>Legal advisers to the Sole Sponsor and the Underwriters</b>	<i>As to Hong Kong law:</i> <b>D. S. Cheung &amp; Co.</b> <i>Solicitors, Hong Kong</i> 29/F., Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai Hong Kong
<b>Auditors and reporting accountants</b>	<b>KPMG</b> <i>Certified Public Accountants</i> 8/F, Prince's Building 10 Chater Road Central Hong Kong
<b>Internal Control Consultant</b>	<b>CT Partners Consultants Limited</b> Unit 1601A, 16/F, Tower 6, China Hong Kong City 33 Canton Road, Tsimshatsui Kowloon
<b>Property valuer</b>	<b>Asset Appraisal Limited</b> Room 901, 9/F On Hong Commercial Building 145 Hennessy Road, Wanchai Hong Kong
<b>Compliance adviser</b>	<b>Kingsway Capital Limited</b> 7/F, Tower One, Lippo Centre 89 Queensway, Hong Kong
<b>Receiving bank</b>	<b>Bank of Communications Co., Ltd.</b> <b>Hong Kong Branch</b> 20 Pedder Street Central Hong Kong

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## CORPORATE INFORMATION

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<b>Registered office</b>	Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
<b>Head office and principal place of business in Hong Kong</b>	Rooms 6 & 8, 9/F, Block A Fuk Keung Industrial Building No. 66-68 Tong Mi Road Mongkok, Kowloon, Hong Kong
<b>Company's website address</b>	<b><u><a href="http://www.wankei.com.hk">www.wankei.com.hk</a></u></b> <i>(information on this website does not form part of this prospectus)</i>
<b>Company secretary</b>	Ling Yat Hin (凌逸軒) <i>Certified Public Accountant</i> Flat G, 28/F, Block 6 Metro Harbour View 8 Fuk Lee Street Tai Kok Tsui, Kowloon
<b>Audit committee</b>	Law Yiu Sing (羅耀昇) ( <i>Chairman</i> ) Ong Chi King (王子敬) Ho Ho Ming (何昊銘)
<b>Remuneration committee</b>	Ong Chi King (王子敬) ( <i>Chairman</i> ) Lau Chi Hing (劉志興) Law Yiu Sing (羅耀昇)
<b>Nomination committee</b>	Lau Woon Si (劉煥詩) ( <i>Chairman</i> ) Ong Chi King (王子敬) Law Yiu Sing (羅耀昇)
<b>Authorised representatives</b>	Lau Chi Hing (劉志興) Flat A, 2/F Yin Court 8 Cassia Road Yau Yat Chuen Kowloon, Hong Kong  Ling Yat Hin (凌逸軒) <i>Certified Public Accountant</i> Flat G, 28/F, Block 6 Metro Harbour View 8 Fuk Lee Street Tai Kok Tsui, Kowloon



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## CORPORATE INFORMATION

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**Cayman Island share registrar  
and transfer office**

Appleby Trust (Cayman) Ltd.  
Clifton House  
75 Fort Street  
P.O. Box 1350  
Grand Cayman KY1-1108  
Cayman Islands

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

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

**Principal bankers**

Industrial and Commercial Bank of China (Asia)  
Limited  
ICBC Tower  
3 Garden Road  
Central  
Hong Kong

Hang Seng Bank Limited  
83 Des Voeux Road Central  
Hong Kong

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## INDUSTRY OVERVIEW

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*The information in the section below and elsewhere in this prospectus has been partly derived from various publicly available government sources, market data providers and other independent third party sources. In addition, this section and elsewhere in the prospectus contains information extracted from a commissioned report (the “Ipsos Report”), prepared by Ipsos for the inclusion in this prospectus. We and the Sole Sponsor believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We and the Sole Sponsor 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. The information has not been independently verified by our Directors, the Sole Sponsor, Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers and the Underwriters or any party involved in the Global Offering and no representation is given as to its correctness, accuracy and completeness. The information may not be consistent with other information compiled by other parties. As such, investors are cautioned not to place any undue reliance on the information and statistics set forth in this section. Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information since the date of the Ipsos Report, which may qualify, contradict or have an impact on the information as disclosed in this section.*

### ABOUT THIS SECTION

#### General

This section contains information extracted from the Ipsos Report, a research report namely “Market Overview and Competitive Analysis for Foundation Industry in Hong Kong” dated 20 July 2015 prepared by Ipsos, an independent market research firm with experience in conducting market researches across all industrial sectors including construction, financial services, cosmetics, regional luxury and high net worth research. Ipsos Hong Kong Limited, being one of the worldwide offices of the Ipsos, is specialised in conducting researches for various industries in initial public offerings of companies listed on the Stock Exchange. This Ipsos Report has been prepared by Ipsos at a total fee of approximately HK\$288,000 plus out-of-pocket expenses.

#### Research methodology

Ipsos approach has combined the following data and intelligence gathering methodology to ensure the reliability of the assumptions, parameters, data and statistics used in the preparation of the Ipsos Report:

- Desk research – government statistics, journals, financial reports, etc; and
- Primary research – interviews with key stakeholders and industry experts in Hong Kong, including foundation work companies, main contractors, developers, architects, industry experts and associations, etc.

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## INDUSTRY OVERVIEW

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The above methodology has guaranteed a full circle and multi-level information sourcing process, where information gathered was able to be cross-referenced to ensure accuracy. Moreover, such intelligence gathered has been analyzed, assessed and validated using Ipsos' in-house analysis models and techniques.

### **Assumption for growth and forecast**

The following assumptions are used in the Ipsos Report:

- It is assumed that there is no external shock such as financial crisis or natural disasters which will affect the demand and supply of the foundation industry over the forecast period; and
- The supply of the foundation works is expected to grow due to the implementation of Government projects such as the Ten Major Infrastructure Projects, urban renewal projects, etc.

The following parameters are considered in the marketing sizing and forecast model of the Ipsos Report:

- GDP value and GDP growth rate in Hong Kong from 2009 to 2018;
- Gross output value of construction works performed by main contractors and subcontractors at construction sites in Hong Kong from 2009 to 2014;
- Public expenditure on infrastructure in Hong Kong from 2009 to 2014;
- Total number of public rental housing units provided by the Housing Authority in Hong Kong from 2009 to 2014;
- Total number of private residential housing units of new completions in Hong Kong from 2009 to 2014;
- Total number of private building construction projects of new completion in Hong Kong from 2009 to 2014;
- Estimated number of workers involved in foundation sector of construction Industry in Hong Kong from 2009 to 2014; and
- Price trend of construction worker wages and materials, such as steel reinforcements, cement and diesel fuel, in Hong Kong from 2009 to 2014.

We are principally engaged in the provision of (i) foundation works and (ii) ground investigation field works in Hong Kong. Foundation is the important supporting part for building and structures and the foundation works are the first step in the overall construction process. The demand for the foundation industry is highly dependent on the prosperity of the overall construction industry fuelled by both public and private sectors. The public sector generally refers to government departments, statutory bodies and related organisation in

## INDUSTRY OVERVIEW

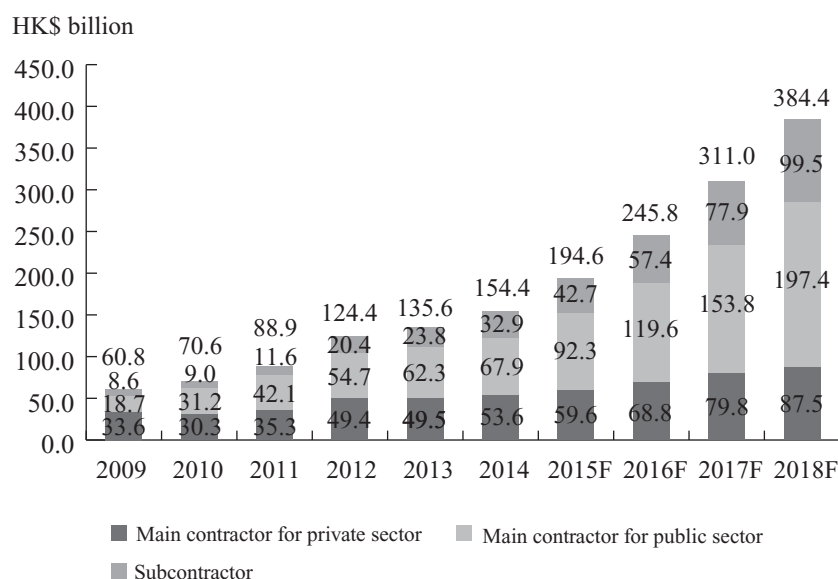
Hong Kong including but not limited to Architectural Service Department, Civil Engineering and Development Department, Housing Authority and MTR Corporation Limited and parties other than the public sector are regarded as the private sector which are mainly property developer.

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

#### Economic contribution of construction industry to the GDP of Hong Kong

The construction industry has contributed approximately 3.2% to 3.9% to the total GDP of Hong Kong during the period between 2009 and 2013. The total gross output value of construction works performed by main contractors and subcontractors at construction sites increased from approximately HK\$60.8 billion in 2009 to approximately HK\$154.4 billion in 2014, representing a CAGR of approximately 20.5%.

#### Gross value of construction work performed by Main Contractors and Subcontractors for Public and Private Sectors



Source: Census and Statistic Department, HKSAR, Ipsos Report

#### Main contractor

The main contractors source construction projects from the private sector, including land owners or property developers and the public sector, such as Architectural Services Department and Housing Authority, to conduct construction works of various nature, such as starting from site formation, piling, demolition, erection of architectural superstructure, structural alteration.

In private sector, the gross output value of construction works performed by main contractors at construction site increased from approximately HK\$33.6 billion in 2009 to approximately HK\$53.6 billion in 2014, at a CAGR of approximately 9.8%. It is forecasted

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## INDUSTRY OVERVIEW

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that the gross output value will further increase to approximately HK\$87.5 billion in 2018 from approximately HK\$59.6 billion in 2015, at a CAGR of approximately 13.7%. Such increment is mainly expected to be driven by the resumption of land sale program since 2010 to increase the supply of private residential housing units aiming to stabilize the over-heating local property market.

In public sector, the gross output value of construction works performed by main contractors at construction sites grew from approximately HK\$18.7 billion in 2009 to approximately HK\$67.9 billion in 2014, at a CAGR of approximately 29.4%. It is forecasted that the gross output value of construction works performed by main contractors will further increase to approximately HK\$197.4 billion in 2018 from approximately HK\$92.3 billion in 2014, at a CAGR of approximately 28.8%. Such increment is expected to be mainly driven by the forecasted increasing number of public rental housing units and Home Ownership Scheme Units produced by the Housing Authority in alignment with the 2014 Policy Address in response to the social demand for the housing.

### **Subcontractor**

It is common practice for main contractors to outsource parts of construction projects to subcontractors as the main contractor may not carry out all the works of the projects. The boost in the construction industry in the public sector and private sector also increased the demand for the service of subcontractor. The gross output value of the construction work performed by the subcontractor increased from approximately HK\$8.6 billion in 2009 to approximately HK\$32.9 billion in 2014, at a CAGR of approximately 30.8%. It is forecasted that the gross output value of work performed by sub-contractor will further increase to approximately HK\$99.5 billion in 2018 from approximately HK\$42.7 billion in 2015, at a CAGR of approximately 32.6%.

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## INDUSTRY OVERVIEW

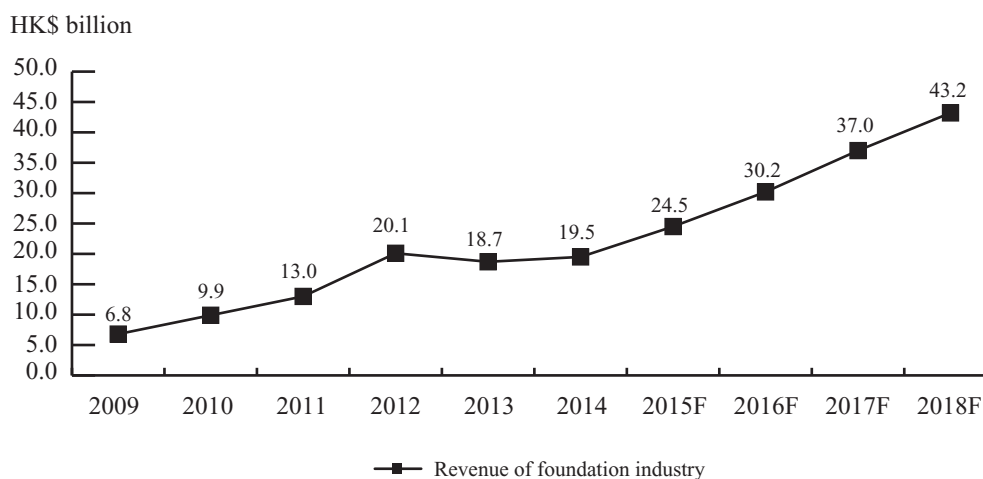
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### MARKET OVERVIEW OF THE FOUNDATION INDUSTRY IN HONG KONG

#### Market for the foundation industry in Hong Kong

Foundation industry is one of the specific areas of the construction industry in Hong Kong, which mainly involved the building of supporting layers for building and structures at the bottom part of a construction site. Bored piles, socketed H-piles and mini-piles are the foundation work methods commonly used in Hong Kong. For details of the foundation works, please refer to the paragraph headed “Business – Our Works” in this prospectus. The foundation industry has played a crucial role in the construction industry in Hong Kong, where its total revenue accounted for approximately 12.6% of the total gross output value performed by main contractors and subcontractors at construction sites in Hong Kong in 2014.

#### Revenue of Foundation Industry in Hong Kong



Source: Census and Statistics Department, HKSAR, Ipsos Report

The revenue of foundation industry in Hong Kong showed a significant growth from approximately HK\$6.8 billion in 2009 to approximately HK\$19.5 billion in 2014, at a CAGR of approximately 23.5%, mainly due to the implementation of the Ten Major Infrastructure Projects launched by Government since 2007. However, since the foundation works of some of the Ten Major Infrastructure Projects including the Guangzhou-Shenzhen-Hong Kong Express Rail Link were completed by early 2013, there was a slight drop of revenue in the foundation industry in 2013. New projects have been started since 2014 and these projects contributed the slight rise in the revenue in 2014.

The revenue of the foundation industry is expected to grow from approximately HK\$24.5 billion in 2015 to approximately HK\$43.2 billion in 2018, at a CAGR of approximately 20.8%, owing to the expected increase in public expenditure on infrastructure during the relevant period. Due to the gradual completions of foundation works of the Ten Major Infrastructure Projects, the revenue growth rate is expected to slow down to a level of approximately 76.3% during the period between 2015 and 2018, compared with the growth rate of approximately 186.8% during the period between 2009 and 2014. However,

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## INDUSTRY OVERVIEW

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foundation works arising from the new development area in the eastern and northern parts of the New Territories, Wan Chai Development, new MTR lines and MTR extension projects are yet to hit their peak and are expected to offset the adverse factors and support the growth of foundation industry from 2015 to 2018.

### **Factors affecting the demand for the foundation industry in Hong Kong**

#### *Government policies in public and private housing development*

The Government is the main landlord in Hong Kong. The Government policies in public and private housing development direct the demand for construction and foundation contracting services in the public and private sectors.

In public sector, the Government has implemented its housing development projects committed in the 2014 Policy Address and identified vast tracts of undeveloped land in New Territories North that has development potential. The Government aims to increase the supply of public housing, as a result approximately 20,000 public rental housing units and approximately 8,000 Home Ownership Scheme units per year for the next decade will be provided. In the 2015 Policy Address, Hong Kong government reiterated the plan to redevelop vast tracts of undeveloped land in Hung Shui Kiu, Yuen Long South and New Territories North. In private sector, the Government has resumed the Land Sale Program to increase the supply of residential properties with the aim to stabilize the overheated property market since 2010. The land sales in Hong Kong increased from approximately 46,000 sq.m. in 2009 to approximately 369,000 sq.m. in 2014, representing a CAGR of about 51.7%. According to the 2014-15 Land Sale Program, there will be a total of approximately 15,500 units sourced from about 34 residential sites, among which, 24 out of the 34 residential sites are new sites. Further, the total number of newly completed private residential housing units is expected to reach approximately 19,210 units by 2018, compared to approximately 15,720 units in 2014 representing a CAGR of about 5.1%.



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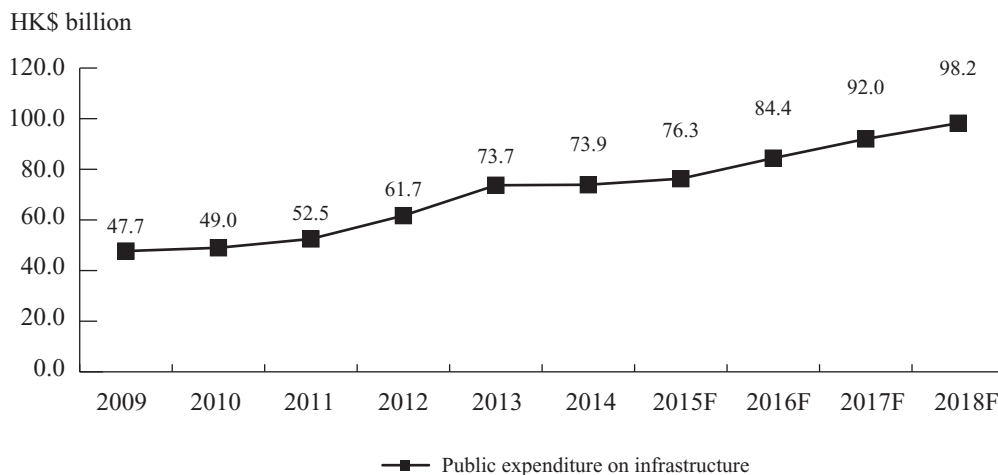
## INDUSTRY OVERVIEW

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### *Large scale infrastructure investment projects*

According to the estimate in the Ipsos Report, the public expenditure on infrastructure in Hong Kong increased from approximately HK\$47.7 billion in 2009 to approximately HK\$73.9 billion in 2014, at a CAGR of approximately 9.2%, and is expected to further increase to HK\$98.2 billion in 2018 from approximately HK\$76.3 billion in 2015, at a CAGR of approximately 8.8%.

### **Public expenditure on infrastructure**



*Source:* 2015-16 Hong Kong Government's Budget Speech, Census and Statistics Department, HKSAR, Ipsos Report

In 2015-2016 Budget Speech, Hong Kong government will invest about HK\$76.3 billion on infrastructure between 2015 and 2016, in addition to the ongoing 10 major infrastructure projects. In particular, about HK\$70.0 billion will be spent on capital works, including those for developing transportation, medical and educational infrastructures. This is a continuing effort to further improve the socio-economic environment and quality of life in Hong Kong.

### *Increase in demand for commercial buildings*

The total number of newly registered companies in Hong Kong has experienced a leap from about 109,424 units in 2009 to 167,280 units in 2014 that stimulate the continual demand for office space and increase the construction work and the foundation work for the high-rise commercial buildings accordingly.

### *Increase in demand for retail space*

The rapid growth of Hong Kong's tourism and the limited supply of quality retail space drive the rental prices up by a CAGR of about 10.1% from 2009 to 2014. The expected increase in the retail sales value by about 5% in 2015 will increase the demand for the construction and foundation service for the retail space.

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## INDUSTRY OVERVIEW

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### Supply of the foundation industry

All construction works, including foundation works, in Hong Kong are subject to the regulation of the Buildings Ordinance by the Buildings Department. All of the foundation works, are required to be carried out by the registered specialist contractor (foundation works) at the Buildings Department. As of December 2014, there were 134 registered specialist contractor (foundation works) at Buildings Department with approximately 81.3% of them were based in Hong Kong.

Foundation projects from both the public and private sectors have different registration requirements. For the foundation work in private sector, the foundation contractor is required to be the registered specialist contractor (foundation works) at the Building Department. In addition to being the registered specialist contractor (foundation works) at the Building Department, public foundation projects generally require foundation main contractors to be on the land piling register at the Development Bureau. However, as advised by our Legal Counsel, as long as the main contractors hold the qualification as the approved specialist contractor for public work for the project or as a registered specialist contractor who is registered with the Buildings Department under the appropriate category to supervise the works and liaise with the Building Authority, subcontractors are not required to hold the same registration under the Development Bureau and the Buildings Department as the main contractors. Further, to be qualified for public projects commissioned by certain government departments and statutory bodies, including the Airport Authority, Development Bureau and the Housing Authority, the foundation sub-contractor should be a registered subcontractor on the Subcontractor Registration Scheme at the Construction Industry Council. The foundation projects commissioned by the Housing Authority require foundation main contractors to be on Housing Authority List of Piling Contractors as well. As of December 2014, there are 41 companies on the List of Approved Suppliers of Materials and Specialist Contractors under land piling at the Development Bureau, with about 20 specialist contractors eligible for undertaking both rock-socketed steel H-pile in pre-bored hole and mini pile works, including our Group. In addition, 9 companies were registered under the percussive piling category at Housing Authority and 10 companies were registered on the List of Piling Contractors under the large diameter bored piling category at the Housing Authority as of December 2014. As of December 2014, there were about 287 companies on the List of Registered Subcontractor (Structural and Civil-Foundation and Piling) with Construction Industry Council.

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## INDUSTRY OVERVIEW

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### Major costs and construction materials for the foundation industry

The major costs of foundation works mainly comprise labour wage and cost of construction materials such as cement, diesel fuel and steel. The following charts demonstrate the historical and labour cost and construction materials price from 2009 to 2014.

#### Average hourly labour wage of construction worker

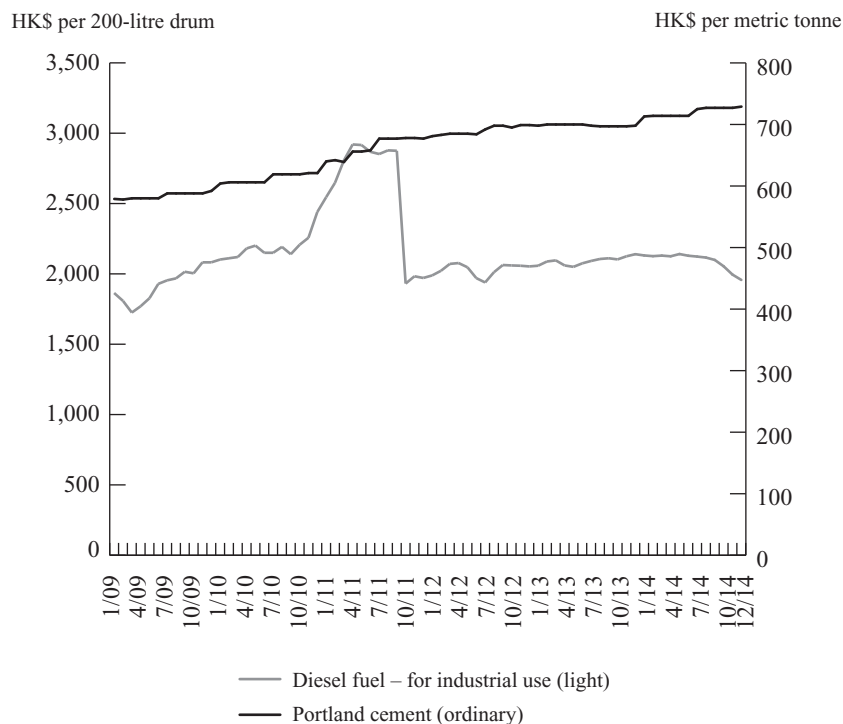


Source: Census and Statistics Department, HKSAR, Ipsos Report

The average hourly labour wage for workers in the construction industry increased from approximately HK\$61.8 in 2009 to HK\$86.9 in 2014, representing a CAGR of approximately 7.1%. The significant rise in the wage of construction workers is attributable to the shortage of experienced and skillful labour as a result of declining number of people joining the industry. The average hourly wage of construction worker is expected to surge in the next few years due to the stable demand for construction workers. Further, the shortfall in labour is exacerbated by the fact that a number of skilled construction workers are approaching the age of retirement while young people are quite reluctant to join the construction industry.

## INDUSTRY OVERVIEW

### Price trend of cement and diesel fuel in Hong Kong



*Source:* Census and Statistics Department, HKSAR, Ipsos Report

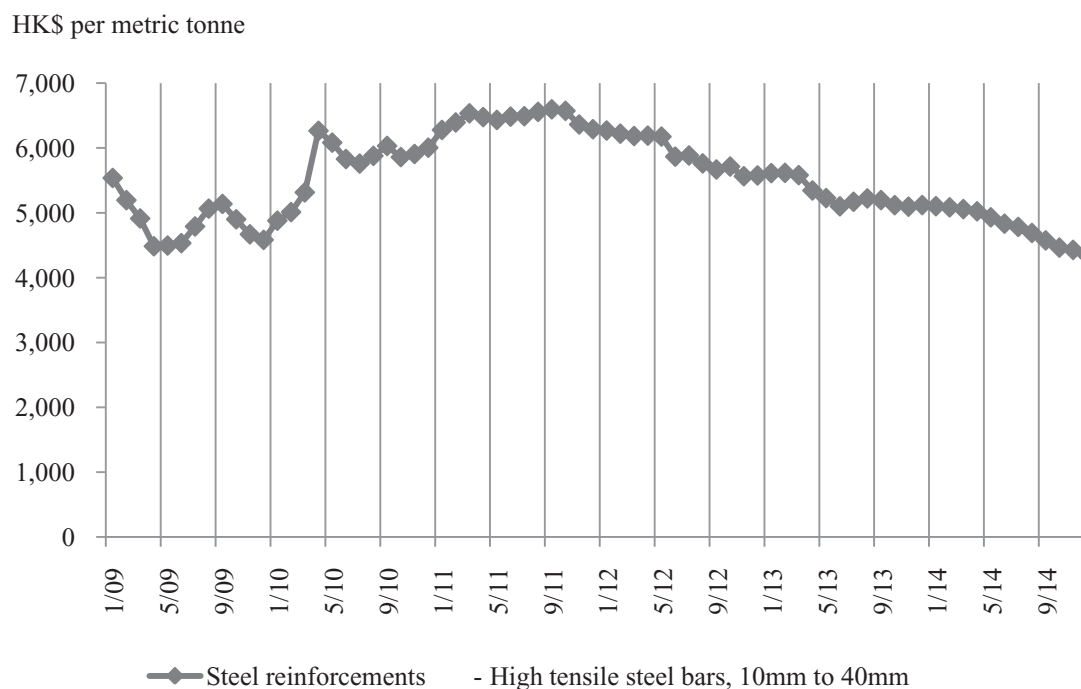
From 2009 to 2014, the price of cement and diesel fuel increased from approximately HK\$584 to approximately HK\$720 per metric tone and approximately HK\$1,919 to HK\$2,094 per 200-litre drum, representing a CAGR of approximately 4.3% and 1.8% respectively.

The increasing price trend of the cement in the past five years is partly attributable to the appreciation of the RMB, accelerating inflation rate in Hong Kong and strong market demand in Hong Kong, Macau and the PRC.

The average wholesale price of diesel fuel in Hong Kong gradually increased between 2009 and 2011 because of the recovery of the global economy since 2009 while the wholesale price of diesel fuel slumped drastically in late 2011 due to the European debt crisis. Since then, the average wholesale price of diesel fuel tended to become more stable as Libya had restored its output of diesel fuel to pre-war levels in 2014.

## INDUSTRY OVERVIEW

### Price Trend of Steel in Hong Kong



Sources: Census and Statistics Department, HKSAR, Ipsos Report

The average wholesale price of steel reinforcements decreased from an average of about HK\$4,857 per metric tonne in 2009 to an average of about HK\$4,775 per metric tonne in 2014. In September 2011, a recorded peak average price of steel reinforcements of about HK\$6,595 per metric ton was recorded due to the strong construction demand in Hong Kong. The intensifying European debt crisis, together with rising inflation and tightening monetary policy in China hampered the demand for steel and average price of steel reinforcements started to fall continually by about 33.8% from October 2011 till the end of 2014.

## COMPETITIVE ANALYSIS OF THE FOUNDATION INDUSTRY IN HONG KONG

### Competition landscape

The foundation industry in Hong Kong was consolidated with the top 5 foundation work contractors which are the main contractors with the provision of foundation works, accounting for about HK\$9.5 billion or 48.5% of the market share of the foundation industry in Hong Kong in 2014. Depending on the scope of the project, the main contractor may not carry out all the works of the projects for a number of reasons such as cost effectiveness for the projects performed by the sub-contractors, lack of expertise in a certain area, sharing of project workload due to the large project size and tight deadline. As such, our Group, as a sub-contractor, regards the main contractor as our customer.

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## INDUSTRY OVERVIEW

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Nevertheless, the market for foundation sub-contractor in which our Group operates, was relatively fragmented with the top 5 foundation subcontractors making up about 7.9% of the market share in the foundation industry in Hong Kong 2014. Similar to the foundation main contractors, the foundation sub-contractor may further outsource work to sub-subcontractors depending on their internal resource level, cost effectiveness and level of work complexity. The sub-sub contractors are generally smaller in size and do not have the necessary registrations as the sub-contractors and hence the direct competition between the sub-contractors and sub-sub-contractors does not exist.

Supportive government housing policies for private and public sector, the increase in demand for housing driven by the increasing population, the increasing expenditure on infrastructure and the economic prosperity in Hong Kong that raise the demand for the retail space and commercial building are all the key market growth driver for the foundation industry in Hong Kong. However, the foundation contractors and sub-contractors are also facing the market threats for the increasing construction costs as a result of rising raw materials cost and there is the shortage of experienced and skillful labor that raise the average hourly labor wage.

### **Factors of competition**

#### *Reputation and track records*

The timeliness of delivery, quality of work, capability for innovative design, safety record and environment requirement are all qualities customers value in the foundation industry. The foundation contractors with a strong reputation and credibility increase the likelihood of winning projects from the public and private sector.

#### *Relationship with customers*

The foundation contractors with good relationship with main contractors, property developers and government departments have the advantages in gaining the trust from their customers.

#### *Flexibility*

The foundation contractors with a higher capability of resource including the skilled workers and machinery can be easier to fulfill the timeline set by their customers. The timeliness of delivery is one of the key factor for the customers in engaging the foundation contractors.

#### *Price*

Price is an important factor for property developers and main contractors. In general, customers will engage the foundation contractors who offer the lowest price with quality assurance and work and service value.

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## INDUSTRY OVERVIEW

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### **Entry barriers**

#### *Sufficiency of practical industry experience*

Technical qualifications, such as registration as a registered specialist contractor for foundation works under Building Department are prerequisite for performing certain foundation work projects in Hong Kong. Practical experience and good reputation in the foundation industry can only be gained through successful completion of projects. This may pose an entry barrier for new entrants who do not possess specialized knowledge and the technical qualification in the foundation industry in Hong Kong.

#### *Huge cash flow requirement*

Foundation work contractors may need to have enough cashflow to pay their downstream suppliers, such as construction workers and construction material suppliers before they could get paid by their upstream customers, usually being as the main contractors. Sufficient cashflow may become an obstacle to the new entrants as they may find it difficult to follow this payment practice in the foundation industry.

#### *Significant capital investment in specialized machinery*

A large amount of capital are needed to be invested in purchasing and operating specialized machinery such as crawler canes, air compressors and hydraulic crawler drills used for the foundation works to enhance the foundation contractors' flexibility in meeting the deadline set by the main contractor. Such significant amounts of capital investment could hinder new foundation work contractors from entering into the industry.

### **Market share**

Our market share by revenue, defined as our turnover derived from Hong Kong to the total revenue in the foundation industry in Hong Kong, was approximately 1.9% in Hong Kong in 2014.



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## INDUSTRY OVERVIEW

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The following table sets forth the information on the five largest foundation subcontractors in the foundation industry in Hong Kong:

Rank	Name of company	Headquarter location	Revenue in 2014 (HK\$ million)	Share of total industry revenue (%)	Key business coverage
1	Competitor A	Hong Kong	554	2.8%	Socketed H-pile, mini pile, micro pile, prebored socketed steel pile
2	Wan Kei Engineering	Hong Kong	363	1.9%	Socketed H-piling, mini piling, solid piles, and king posts
3	Competitor B	Hong Kong	286	1.5%	Socketed H-pile, mini pile, sheet pile, bored pile, driven pile, micro pile, diaphragm wall
4	Competitor C	Hong Kong	241	1.2%	Socketed H-pile, mini pile, frictional pile, pre-bored H pile
5	Competitor D	Hong Kong	116	0.6%	Socketed H-pile, mini pile, bored pile, sheet pile, pipe pile
Others			<u>17,928</u>	<u>92.0%</u>	
Total			<u><u>19,488</u></u>	<u><u>100%</u></u>	

Sources: Ipsos Report

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## REGULATORY OVERVIEW

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### THE LAWS AND REGULATIONS OF HONG KONG

This section summarises the principal laws and regulations of Hong Kong which are relevant to our business. As this is a summary, it does not contain detailed analysis of the Hong Kong laws which are relevant to our business.

#### A. Laws and Regulations in relation to Construction Labour, Health and Safety

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

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

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

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

Matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), include (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the maintenance and operation of hoists; (iii) the duty to ensure safety of places of work; (iv) prevention of falls; (v) safety of excavations; (vi) the duty to comply with miscellaneous safety requirements; and (vii) provision of first aid facilities. Non-compliance with any of these rules

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commits an offence and different levels of penalty will be imposed and a contractor guilty of the relevant offence could be liable to a fine up to HK\$200,000 and imprisonment up to 12 months.

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

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

Employers must as far as reasonably practicable ensure the safety and health in their workplaces by:

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

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

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

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

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

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

According to section 15(1A) of the Employees' Compensation Ordinance, employer shall report work injuries of its employee to the Commissioner of Labour not later than 14 days after the accident.

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

Pursuant to Section 40 of the Employees' Compensation Ordinance, all employers (including contractors and subcontractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Under Section 40(1B) of the Employees' Compensation Ordinance, where a main contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover his liability and that of its subcontractor(s) under the Employees' Compensation Ordinance and at common law. Where a main contractor has taken out a policy of insurance under Section 40(1B) of the Employees' Compensation Ordinance, the main contractor and a subcontractor insured under the policy shall be regarded as having complied with Section 40(1) of the Employees' Compensation Ordinance.

An employer who fails to comply with the Employees' Compensation Ordinance to secure an insurance cover is liable on conviction upon indictment to a fine at level 6 (currently at HK\$100,000) and imprisonment for 2 years.

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## REGULATORY OVERVIEW

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

A main contractor shall be subject to the provisions on subcontractor's employees' wages in the Employment Ordinance. According to Section 43C of the Employment Ordinance, a main contractor, or a main contractor and every superior subcontractor jointly and severally is/are liable to pay any wages that become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. The liability of a main contractor and superior subcontractor (where applicable) shall be limited (a) to the wages of an employee whose employment relates wholly to the work which the main contractor has contracted to perform and whose place of employment is wholly on the site of the building works; and (b) to the wages due to such an employee for 2 months (such months shall be the first 2 months of the period in respect of which the wages are due).

An employee who has outstanding wage payments from subcontractor must serve a notice in writing on the main contractor within 60 days after the wage due date. A main contractor and superior subcontractor (where applicable) shall not be liable to pay any wages to the employee of the subcontractor if that employee fails to serve a notice on the main contractor.

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

Pursuant to Section 43F of the Employment Ordinance, if a main contractor or superior subcontractor pays to an employee any wages under Section 43C of Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the main contractor or superior subcontractor, as the case may be. The main contractor or superior subcontractor may either (1) claim contribution from every superior subcontractor to the employee's employer or from the main contractor and every other such superior subcontractor as the case may be, or (2) deduct by way of set off the amount paid by him from any sum due or may become due to the subcontractor in respect of the work that he has subcontracted.

### **Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong)**

Employers are required to enroll their regular employees (except for certain exempt persons) aged between at least 18 but under 65 years of age and employed for 60 days or more in a Mandatory Provident Fund ("MPF") scheme within the first 60 days of employment.

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For both employees and employers, it is mandatory to make regular contributions into a MPF scheme. For an employee, subject to the maximum and minimum levels of income (HK\$25,000 and HK\$7,100 per month, respectively before 1 June 2014 or HK\$30,000 and HK\$7,100 per month, respectively on or after 1 June 2014), an employer will deduct 5% of the relevant income on behalf of an employee as mandatory contributions to a registered MPF scheme with a ceiling of HK\$1,250 before 1 June 2014 or HK\$1,500 on or after 1 June 2014. Employer will also be required to contribute an amount equivalent to 5% of an employee's relevant income to the MPF scheme, subject only to the maximum level of income (HK\$25,000 per month before 1 June 2014 or HK\$30,000 on or after 1 June 2014).

### *Industry Scheme*

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

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

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

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

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### *Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong)*

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

The Occupiers Liability Ordinance imposes a common duty of care on an occupier of premises to take such care as in all the circumstances of the case is reasonable to see that the visitor will be reasonably safe in using the premises for the purposes for which he is invited or permitted by the occupier to be there.

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

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

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

### *Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong)*

The Minimum Wage Ordinance provides for a prescribed minimum hourly wage rate (currently set at HK\$32.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

## **B. Laws and Regulations in relation to Environmental Protection**

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

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

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, including without limitation the Air Pollution Control (Open Burning) Regulation (Chapter 311O of the Laws of Hong Kong), the Air Pollution Control (Construction Dust) Regulation (Chapter 311R of the Laws of Hong



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

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

The Noise Control Ordinance controls, among others, the noise from construction, industrial and commercial activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling during the daytime, not being a general holiday, construction noise permits are required from the Director of the Environmental Protection Department in advance.

Under the Noise Control Ordinance, construction works that produce noises and the use of powered mechanical equipment (other than percussive piling) in populated areas are not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the Director of the Environmental Protection Department through the construction noise permit system. The use of certain equipment is also subject to restrictions. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Director of the Environmental Protection Department.

Any person who carries out any construction work except as permitted is liable on first conviction to a fine of HK\$100,000 and on subsequent convictions to a fine of HK\$200,000, and in any case to a fine of HK\$20,000 for each day during which the offence continues.

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

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

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

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

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

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

A contractor shall observe and comply with the Waste Disposal Ordinance and its subsidiary regulations, including without limitation the Waste Disposal (Charges for Disposal of Construction Waste) Regulation (Chapter 354N of the Laws of Hong Kong) and the Waste Disposal (Chemical Waste) (General) Regulation (Chapter 354C of the Laws of Hong Kong).

Under the Waste Disposal (Charges for Disposal of Construction Waste) Regulation, construction waste can only be disposed at designated prescribed facilities and a main contractor who undertakes construction work with a value of HK\$1 million or above will be required, within 21 days after being awarded the contract, to establish a billing account in respect of that particular contract with the Director of the Environmental Protection Department to pay any disposal charges for the construction waste generated from the construction work under that contract.

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

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of the Environmental Protection Department. A person who except under and in accordance with a permit or authorisation, does, causes or allows another person to do anything for which such a permit or authorisation is required commits an offence and is liable to a fine of HK\$200,000 and to imprisonment for 6 months for the first offence, and to a fine of HK\$500,000 and to imprisonment for 2 years for a second or subsequent offence.

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

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

Under the Dumping at Sea Ordinance, a person who except under and in accordance with a permit, does anything or causes or allows another person to do anything for which a permit is needed commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment for 6 months on a first conviction; and to a fine of HK\$500,000 and to imprisonment for 2 years on a second or subsequent conviction; and in addition, to a further fine of HK\$10,000 for each day if the court is satisfied that the operation has continued.

### *Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong)*

The Environmental Impact Assessment Ordinance is to avoid, minimise and control the adverse environmental impacts from designated projects as specified in Schedule 2 of the Environmental Impact Assessment Ordinance (for example, public utility facilities, certain large-scale industrial activities, community facilities, etc.) through the application of the environmental impact assessment process and the environmental permit system by the persons who is planning such designated project prior to their construction and operation (and decommissioning, if applicable), unless otherwise exempted.

According to the Environmental Impact Assessment Ordinance, a person commits an offence if he constructs or operates a designated project as listed in Part I of Schedule 2 of the Environmental Impact Assessment Ordinance (which includes roads, railways and depots, dredging operation, residential and other developments, etc.) or decommissions a designated project listed in Part II of Schedule 2 of the Environmental Impact Assessment Ordinance without an environmental permit for the project; or contrary to the conditions, if any, set out in the permit. The offender is liable (a) on a first conviction on indictment to a fine of HK\$2,000,000 and to imprisonment for 6 months; (b) on a second or subsequent conviction on indictment to a fine of HK\$5,000,000 and to imprisonment for 2 years; (c) on a first summary conviction to a fine at level 6 and to imprisonment for 6 months; (d) on a second or subsequent summary conviction to a fine of HK\$1,000,000 and to imprisonment for one year, and in any case where the offence is of a continuing nature, the court or magistrate may impose a fine of HK\$10,000 for each day on which he is satisfied the offence continued.

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

Pursuant to Section 127 of the Public Health and Municipal Services Ordinance, where a nuisance notice is served on the person by reason of whose act, default or sufferance the nuisance arose or continues, or of that person cannot be found, on the occupier or owner of the premises or vessel on which the nuisance exists, then if either the nuisance to which the notice relates arose by reason of the wilful act or default of that person; or that person fails to comply with any of the requirements of the notice within the period specified therein, that person shall be guilty of an offence.

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

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

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

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

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

### **C. Law and Regulations in relation to Contractor Licensing**

#### ***General Building Contractor/Specialist Contractor***

Under the current contractors registration system in Hong Kong, the Building Authority shall keep a register of general building contractors who are qualified to perform the duties of a general building contractor and a register of specialist contractors who are qualified to carry out specialised works (such as foundation works and ground investigation field works) specified in the category in the sub-register in which they are entered. Registered general building contractors may carry out general building works and street works which do not include any specialised works designated for registered specialist contractors.

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Set out below are the requirements to register as a general building contractor, specialist contractor in foundation works and specialist contractor in ground investigation field works under the Buildings Department.

Under Section 8B(2) of the Buildings Ordinance, an applicant for registration as a registered general building contractor or registered specialist contractor must satisfy the Director of Buildings (“Building Authority”) on the following aspects:

- (a) if it is a corporation, the adequacy of its management structure;
- (b) the appropriate experience and qualifications of its personnel;
- (c) its ability to have access to plants and resources; and
- (d) the ability of the person appointed to act for the applicant for the purposes of the Buildings Ordinance to understand building works and street works through relevant experience and a general knowledge of the basic statutory requirements.

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

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

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Mr. Fong is appointed as the Authorised Signatory and Mr. CH Lau is appointed as the Technical Director to act for the purpose of the Buildings Ordinance for Wan Kei Engineering. As for Chung Shun, Mr. Leung is appointed as the Authorised Signatory and Technical Director for the purpose of Buildings Ordinance.

In addition to the above key personnel, the applicant is also required to demonstrate that it has employed appropriate qualified staff to assist the applicant and the above key personnel to execute, manage and supervise the building works and street works.

For registration as a registered specialist contractor, the applicant must satisfy the Building Authority that it has the necessary experience and, where appropriate, professional and academic qualifications, to undertake work in the specialist category and should also demonstrate that it has the access to engaging qualified persons to carry out the relevant specialised duties, e.g. competent person (logging) for ground investigation field works.

The Building Authority imposes specific requirements on the directors of a contractor and the person appointed by the contractor to act for it for the purposes of the Buildings Ordinance.

### ***Buildings Ordinance (Chapter 123 of the Laws of Hong Kong)***

Under the Section 14(1) of the Buildings Ordinance, no person shall commence or carry out any building works, including alteration, addition and every kind of building operation, without having obtained approval and consent from the Building Authority. Any person who intends to carry out alteration or addition building works in existing premises is required to appoint an authorised person, and where necessary a registered structural engineer, to prepare and submit plans for the approval of Building Authority under the Buildings Ordinance. He is also required to appoint a registered contractor to carry out the building works. The Building Authority may require that all such building works carried out in such a way that the building will comply with the standards of the Buildings Ordinance.

Under the Section 4(1) of the Buildings Ordinance, every person for whom building works or street works are to be carried out shall appoint:

- (a) an authorised person as the co-ordinator of such building works or street works;
- (b) a registered structural engineer for the structural elements of such building works or street works if so required under this Buildings Ordinance; and
- (c) a registered geotechnical engineer for the geotechnical elements of such building works or street works if so required under this Buildings Ordinance.

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### *Private Sector Foundation Works and/or Ground Investigation Field Works Projects*

Private sector foundation works and/or ground investigation field works projects cover projects launched by private developers as well as any other entities not being Hong Kong government departments and statutory bodies, including but not limited to utility companies, charity organisations, and private educational institutions.

In order to undertake private sector foundation works and/or ground investigation field works as main contractor, a contractor must be registered with the Buildings Department as a registered specialist contractor under the categories of foundation works and/or ground investigation field works, unless the main contractor subcontracts those works to a registered specialist contractor as described below.

Where the main contractor engages a registered specialist contractor under the categories of foundation works and/or ground investigation field works to undertake foundation works and/or ground investigation field works as registered with the Building Department, irrespective of whether such foundation works and/or ground investigation field works form the whole or part of the contract works, the main contractor itself would not be required to be a registered specialist contractor under the relevant category.

Subcontractors appointed to carry out foundation works and/or ground investigation field works are required to be registered specialist contractors under the categories of foundation works and/or ground investigation field works, respectively.

For any foundation works and/or ground investigation field works where an entity is involved as a subcontractor, if there is a registered specialist contractor who is registered with the Buildings Department under the appropriate category to supervise the works and liaise with the Buildings Authority, the entity itself is not required to be such registered specialist contractor or to obtain any requisite licenses, permits and approval for its operation and business except the business registration.

The registration requirements mentioned above are the basic requirements for undertaking private sector foundation works and/or ground investigation field works projects. Other additional requirements on the main contractors or subcontractors may be imposed by the developers, main contractors, or other entities, as the case may be.

### **Public Sector Foundation Works and/or Ground Investigation Field Works Projects**

For public sector projects, contractors responsible for the foundation works and/or ground investigation field works are, among others, required to be listed under the Works Branch of the Development Bureau, and with the Buildings Department as registered specialist contractors under the categories of foundation works and/or ground investigation field works.



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## REGULATORY OVERVIEW

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As long as the main contractors hold all the required registrations for the project, the subcontractors are not required to hold the same registrations as the main contractors in public projects. However, being registered on the Subcontractor Registration Scheme at the Construction Industry Council (建造業議會) is required for subcontractors to participate in public projects commissioned by certain Government departments and statutory bodies, including the Airport Authority, Development Bureau and the Housing Authority.

Pursuant to a technical circular issued by Works Branch (the Environment, Transport and Works Bureau at the time of issue of the technical circular) on 14 June 2004, all capital works and maintenance works contracts of the government with tenders to be invited on or after 15 August 2004 shall require the contractor to employ all subcontractors (whether nominated, specialist or domestic) that are registered from the respective trades available under the Primary Register of the Voluntary Subcontractor Registration Scheme introduced by the Provisional Construction Industry Co-ordination Board (臨時建造業統籌委員會) whose work was taken over by the Construction Industry Council (建造業議會) in February 2007.

Set out below are the further requirements for a registered specialist contractor under the categories of foundation works and/or ground investigation field works to undertake foundation works and/or ground investigation field works projects of the Development Bureau.

If a contractor wishes to carry out public land piling works of the Development Bureau, it must be included in either “Group I” or “Group II” of the List of Approved Suppliers of Materials and Specialist Contractors for Public Works (the “**Specialist List**”) which is administered by the Works Branch of the Development Bureau under the category of “Land Piling” in respect of the relevant piling system. The scope of work in this category covers design, supply and installation of registered piling systems on land. Specialist List Group I Land Piling contractors can undertake foundation contracts/subcontracts of a value up to HK\$3.4 million while Specialist List Group II Land Piling contractors can undertake foundation contracts/subcontracts of unlimited value.

Contractors are required to meet the financial, technical, management, personal and safety criteria applicable to their appropriate category and group for admission and retention on the approved lists and for the award of public works contracts. For retention on the Specialist List, a contractor should generally possess at least a positive capital value. In addition, a contractor is required to maintain certain minimum levels of employee and working capital and annual turnover applicable to the appropriate category and group.

In granting a registration/approval to a contractor, the Works Branch of the Development Bureau takes into consideration, among others, (i) the contractor’s financial strength; (ii) the contractor’s technical experience and management capability; (iii) the machinery and equipment maintained by the contractor; and (iv) the job references from customers.

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## REGULATORY OVERVIEW

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Pursuant to a technical circular issued by Works Branch (the Environment, Transport and Works Bureau at the time of issue of the technical circular) on 25 May 2004, in selective tendering, a tender will not be considered unless the contractor has met certain qualification requirements, for example, it is on a particular list of approved contractors and not being suspended from tendering.

Contractors in the list of approved contractors for public works, unless suspended, may tender for public works contracts in the works categories and groups for which they are approved, whereas specialist contractors in the Specialist List, unless suspended, may tender for public works contracts in the works categories, classes and groups for which they are approved.

For admission and retention as an approved contractor on the Specialist List (Group II – Land Piling category – “Rock-socketed Steel H-pile in Pre-bored Hole” system and “Minipile” piling system), a contractor is required to meet the minimum financial criteria and other requirements as follows:

1. Minimum employed capital

HK\$9,300,000.

2. Minimum working capital

HK\$8,600,000 or 10% of the combined annual value of uncompleted works on outstanding contracts both in the public and private sectors if the contractor has both employed and working capital not less than HK\$4.2 million respectively, whichever is higher.

3. Minimum technical and management criteria/other requirements

- (a) A registered specialist contractor in the foundation sub-register under Buildings Ordinance.

- (b) Possess Quality Management System certificates issued under the rules of the Hong Kong Certification Body Accreditation Scheme (“HKCAS”) operated by the Hong Kong Accreditation Service, i.e. bearing the HKCAS Accreditation Mark, and Quality Management System certificates bearing the accreditation mark of other accreditation bodies which are considered as having an equivalent standard by the Environment, Transport and Works Bureau. The scope of certification shall be relevant to the piling system under application.

- (c) Top management: at least one member of the resident top management with a minimum of five years local experience in managing a construction firm obtained in the past eight years.

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## REGULATORY OVERVIEW

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- (d) Technical staff: at least two persons with a relevant degree from a Hong Kong university or equivalent with at least five years post-graduate local experience in piling works. Top management shall be the president, chairman, director, managing director, executive director or general manager etc.
- (e) Job experience: have completed at least 3 medium/large size local projects (of value above HK\$3 million each).
- (f) Plant and equipment: appropriate equipment for each system (at least one set for each system).
- (g) Office/workshop facilities: Local office required and yard facilities available.
- (h) Others: Piling system to be registered: (a) method statement; (b) typical calculations; (c) acceptable references; and (d) satisfactory demonstration on site.

### **Regulatory actions against contractors by the Development Bureau**

The Development Bureau may take regulatory actions against contractors for failure to meet the financial criteria within prescribed time, unsatisfactory performance, misconduct or suspected misconduct, poor site safety record, and poor environmental performance, court convictions such as contravention of site safety legislation and the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and employment of illegal works etc.

For instance, if a qualified contractor is convicted of a series of safety or environmental offences within a short period of time in a project, or if a fatal construction accident occurs at a construction site for which the contractor is responsible, the government may take regulatory actions against the responsible contractor, which include the removal, suspension (which means a contractor is prohibited from tendering for works of the relevant category during the suspension period) and downgrading (which includes downgrading or demoting the contractor's qualification to a lower status or class in all or any specified category) of the contractor's licence, depending on the seriousness of the incident triggering the regulatory actions.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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### OUR GROUP STRUCTURE AND HISTORY

#### Overview

The history of our Group dates back to 1998 when Mr. WS Lau, through Chung Hang, a company owned by Mr. WS Lau and his family members, contributed to the setting up of Wan Kei Machinery with funds generated from Mr. WS Lau's prior business engagements. As at the incorporation of Wan Kei Machinery, Wan Kei Machinery was owned by Chung Hang, Tachyon Limited (a company controlled by Mr. Leung and his wife), Gold Crown (a company controlled by Mr. Fong and Mr. Yeung) and an Independent Third Party as to 38%, 19%, 24% and 19%, respectively. Before founding our Group, Mr. Fong, Mr. Leung and Mr. Yeung were the former employees of Mr. WS Lau. Mr. WS Lau has more than 40 years' experience in the foundation industry, further details of his experience and qualification are set out in the sections headed "Directors, Senior Management and Staff". For further details of the corporate history of our subsidiaries, including Wan Kei Machinery, please refer to the paragraph headed "Our subsidiaries" below.

Our Company was incorporated in the Cayman Islands on 7 October 2014 in anticipation of the Global Offering. We operate our business through our operating subsidiaries namely, Wan Kei Engineering, Chung Shun, Wan Kei Machinery and Wan Kei (Macau) (from 5 December 2014 onwards), each a wholly-owned subsidiary of our Company. Wan Wai is the intermediate holding company of our Group whereas Wan Kei Engineering, Chung Shun, Wan Kei Machinery and Wan Kei (Macau) (from 5 December 2014 onwards) are our operating subsidiaries which perform our daily operation.

#### Major milestones

Set out below are our major milestones:

1998	Incorporation of Wan Kei Machinery
	Acquisition of interest in Chung Shun by Mr. WS Lau
1999	Acquisition of interest in Wan Kei Engineering by Mr. WS Lau
2001	Grant of the Certificate of Specialist Contractor in ground investigation field works by the Building Authority to Chung Shun
2002	Grant of the Certificate of Specialist Contractor in foundation works by the Building Authority to Wan Kei Engineering
2007	Grant of ISO 9001:2008 certification of quality management system by Accredited Certification International Limited
	Grant of OHSAS 18001:2007 certification of environmental management system by Accredited Certification International Limited

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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	Grant of ISO14001:2004 certification of occupational health and safety management system by Accredited Certification International Limited
	Grant of Best Safety and Environment Protection Subcontractor Award (最佳安全及環保分判商嘉許獎狀) by our customer
2009	Grant of Silver Prize in Construction Industry Safety Award Scheme (建造業安全獎勵計劃銀獎) by, among others, the Labour Department and the Occupational Safety and Health Council
2011	Grant of Outstanding Safety Performance by our customer
2012	Grant of Model Subcontractor Award under the Considerate Contractors Site Award Scheme 2011 by the Development Bureau and the Construction Industry Council
2014	Grant of On-site Best Safety and Environmental Subcontractor Award by our customer
	Grant of Zero Accident Achievement Award by our customer
	Incorporation of our Company
	Acquisition of Wan Kei (Macau) by our Group

### **Our Company**

Our Company was incorporated in the Cayman Islands with limited liability on 7 October 2014 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each, with one subscriber Share allotted and issued nil-paid to the initial subscriber, an Independent Third Party. On the same day, such subscriber Share was transferred to Suntecli for nil consideration.

Suntecli, the holding vehicle of the shareholders of Chung Hang, was incorporated on 19 September 2014 in the BVI with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 25 September 2014, 17,600, 200, 200, 200, 200 and 200 shares were issued and allotted to Mr. WS Lau, Ms. Wong Po Lin, Ms. So, Mr. CS Lau, Mr. CH Lau and Mr. Ian Lau, which represent approximately 94.65%, 1.07%, 1.07%, 1.07%, 1.07% and 1.07% of the then issued share capital of Suntecli, respectively.<sup>(Note)</sup> As at the Latest Practicable Date, Suntecli was owned by Mr. WS Lau, Ms. Wong Po Lin, Ms. So, Mr. CS Lau, Mr. CH Lau and Mr. Ian Lau, as to approximately 94.65%, 1.07%, 1.07%, 1.07%, 1.07% and 1.07%, respectively.

Samwood, the holding vehicle of the shareholders of Gold Crown, was incorporated on 3 July 2014 in the BVI with an authorized share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 25 September 2014, 79 and 21 shares were issued and allotted to

*Note:* Mr. WS Lau is the father of Mr. CS Lau, Mr. CH Lau and Mr. Ian Lau, and the spouse of Ms. So.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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Mr. Fong and Mr. Yeung, which represent 79% and 21% of the then issued share capital of Samwood, respectively. As at the Latest Practicable Date, Samwood was owned by Mr. Fong and Mr. Yeung as to 79% and 21%, respectively.

On 5 November 2014, 5,681, 2,364, 1,939 and 15 nil-paid Shares were allotted and issued to Suntecli, Samwood, Mr. Leung and Ms. Yeung, which represent 56.82%, 23.64%, 19.39% and 0.15% of the issued share capital of our Company, respectively.

On 9 May 2015, as part of the Reorganisation, our Company acquired 5,682, 2,364, 1,939 and 15 shares in Wan Wai (in aggregate representing then entire issued share capital of Wan Wai) from each of Suntecli, Samwood, Mr. Leung and Ms. Yeung, respectively, and as consideration, the 5,682, 2,364, 1,939 and 15 nil paid Shares held by Suntecli, Samwood, Mr. Leung and Ms. Yeung were credited as fully paid, respectively and 397,734,318, 165,477,636, 135,728,061 and 1,049,985 new Shares were issued and allotted to Suntecli, Samwood, Mr. Leung and Ms. Yeung, all credited as fully paid, respectively. The above transactions were completed on 9 May 2015 and as a result, our Company became the holding company of our Group.

### **Our subsidiaries**

#### ***Wan Wai***

Wan Wai, the intermediate holding company of our Group, was incorporated on 30 September 2014 in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1.00 each. On the same day, 5,682, 2,364, 1,939 and 15 shares were issued and allotted to Suntecli, Samwood, Mr. Leung and Ms. Yeung, which represent 56.82%, 23.64 %, 19.39% and 0.15% of the issued share capital of Wan Wai, respectively.

On 20 November 2014, Wan Wai acquired 50% of the interests in Chung Shun from Chung Hang, Mr. Leung and Ms. Yeung, further details of which are set out in the paragraph headed “Chung Shun” below.

On 20 November 2014, Wan Wai acquired the entire issued share capital of Wan Kei Engineering from Chung Hang, Gold Crown and Mr. Leung, further details of which are set out in the paragraph headed “Wan Kei Engineering” below.

On 20 November 2014, Wan Wai acquired the entire issued share capital of Wan Kei Machinery from Chung Hang, Gold Crown and Mr. Leung, further details of which are set out in the paragraph headed “Wan Kei Machinery” below.

Pursuant to the sale and purchase agreement dated 9 May 2015 and entered into among our Company (as purchaser), Suntecli (as vendor), Samwood (as vendor), Mr. Leung (as vendor and warrantor), Ms. Yeung (as vendor), Mr. WS Lau (as warrantor) and Mr. Fong (as warrantor), our Company has acquired the entire issued share capital of Wan Wai from Suntecli, Samwood, Mr. Leung and Ms. Yeung and as consideration, the 5,682, 2,364, 1,939 and 15 nil-paid Shares held by Suntecli, Samwood, Mr. Leung and Ms. Yeung, respectively

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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were credited as fully paid and 397,734,318, 165,477,636, 135,728,061 and 1,049,985 new Shares were issued and allotted to Suntecli, Samwood, Mr. Leung and Ms. Yeung, all credited as fully paid, respectively.

### *Wan Kei Engineering*

Wan Kei Engineering is our operating subsidiary which engages in foundation works. Wan Kei Engineering is a company incorporated in Hong Kong on 4 May 1995 as a limited liability company by two Independent Third Parties. Its total number of shares in issue is 10,000,000 shares.

On 30 August 1995, Mr. Fong acquired in aggregate 1,800 shares in Wan Kei Engineering at a consideration of HK\$1,800 from three then shareholders of Wan Kei Engineering, one of whom is the father-in-law of Mr. Fong, and the remaining two of whom are Independent Third Parties. Immediately after the above acquisition of shares, the shareholding of Wan Kei Engineering was as follows:

<b>Date</b>	<b>Name of Shareholders</b>	<b>Shareholding %</b>
30 August 1995	Mr. Fong	18%
	4 Independent Third Parties	<u>82%</u>
		<u><u>100%</u></u>

On 10 July 1997, Mr. Fong further acquired 1,000 shares in Wan Kei Engineering at a consideration of HK\$1,000 from a then shareholder of Wan Kei Engineering, who is an Independent Third Party. Immediately after the above acquisition of shares, the shareholding of Wan Kei Engineering was as follows:

<b>Date</b>	<b>Name of Shareholders</b>	<b>Shareholding %</b>
10 July 1997	Mr. Fong	28%
	2 Independent Third Parties	<u>72%</u>
		<u><u>100%</u></u>

As introduced by Mr. Fong and taking into account the potential business networks and opportunities to be brought by Mr. WS Lau, on 18 January 1999, Canton Management Corp. acquired in aggregate 7,199 shares in Wan Kei Engineering at a consideration of HK\$7,199 from two then shareholders of Wan Kei Engineering, who are Independent Third Parties. On the same date, Garco Management Inc. acquired 1 share in Wan Kei Engineering at a consideration of HK\$1 from a then shareholder of Wan Kei Engineering, who is an Independent Third Party. On the same date, Mr. Fong transferred his 2,800 shares in Wan

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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Kei Engineering at a consideration of HK\$2,800 to Canton Management Corp. Immediately after the above acquisition of shares, the shareholding of Wan Kei Engineering was as follows:

Date	Name of Shareholders	Shareholding %
18 January 1999	Canton Management Corp.	99.99%
	Garco Management Inc.	<u>0.01%</u>
		<u><u>100%</u></u>

*Notes:*

1. As at 18 January 1999, Canton Management Corp. was owned by Chung Hang, Mr. Fong, Tachyon Limited, Mr. Yeung and an Independent Third Party as to approximately 38.38%, 19.19%, 18.19%, 5.05% and 19.19%, respectively.
2. As at 18 January 1999, Chung Hang was owned by Mr. WS Lau, Ms. So, Ms. Wong Po Lin, Mr. CS Lau, Mr. CH Lau and Mr. Ian Lau as to approximately 0.91%, 4.50%, 4.50%, 30.03%, 30.03% and 30.03%, respectively.
3. As at 18 January 1999, Garco Management Inc. was wholly owned by Tachyon Limited.
4. As at 18 January 1999, Tachyon Limited was owned by Mr. Leung and his wife as to 50% and 50%, respectively.

On 13 April 2004, Wan Kei Engineering allotted and issued 8,189,181 and 819 shares to Canton Management Corp. and Garco Management Inc. at a consideration of HK\$8,189,181 and HK\$819, respectively. Immediately after the above allotment and issue of shares, the shareholding of Wan Kei Engineering was as follows:

Date	Name of Shareholders	Shareholding %
13 April 2004	Canton Management Corp.	99.99%
	Garco Management Inc.	<u>0.01%</u>
		<u><u>100%</u></u>

*Notes:*

1. As at 13 April 2004, Canton Management Corp. was owned by Chung Hang, Mr. Fong, Tachyon Limited and Mr. Yeung as to 57%, 19%, 19% and 5%, respectively.
2. As at 13 April 2004, Chung Hang was owned by Mr. WS Lau, Ms. So, Ms. Wong Po Lin, Mr. CS Lau, Mr. CH Lau and Mr. Ian Lau as to approximately 16.67%, 16.67%, 16.67%, 16.67%, 16.67% and 16.67%, respectively.
3. As at 13 April 2004, Garco Management Inc. was wholly owned by Tachyon Limited.



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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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4. As at 13 April 2004, Tachyon Limited was owned by Mr. Leung and his wife as to 50% and 50%, respectively.

On 25 April 2005, Wan Kei Engineering further allotted and issued 249,750 and 250 shares to Canton Management Corp. and Garco Management Inc. at a consideration of HK\$249,750 and HK\$250, respectively. Immediately after the above allotment and issue of shares, the shareholding of Wan Kei Engineering was as follows:

<b>Date</b>	<b>Name of Shareholders</b>	<b>Approximate Shareholding %</b>
25 April 2005	Canton Management Corp.	99.98734%
	Garco Management Inc.	<u>0.01266%</u>
		<u><u>100%</u></u>

*Notes:*

1. As at 25 April 2005, Canton Management Corp. was owned by Chung Hang, Mr. Fong, Tachyon Limited and Mr. Yeung as to 57%, 19%, 19% and 5%, respectively.
2. As at 25 April 2005, Chung Hang was owned by Mr. WS Lau, Ms. So, Ms. Wong Po Lin, Mr. CS Lau, Mr. CH Lau and Mr. Ian Lau as to approximately 16.67%, 16.67%, 16.67%, 16.67%, 16.67% and 16.67%, respectively.
3. As at 25 April 2005, Garco Management Inc. was owned by Chung Hang, Mr. Fong, Tachyon Limited and Mr. Yeung as to 57%, 19%, 19% and 5%, respectively.
4. As at 25 April 2005, Tachyon Limited was owned by Mr. Leung and his wife as to 50% and 50%, respectively.

On 11 July 2008, Wan Kei Engineering allotted and issued 883,500, 372,000 and 294,500 shares to Chung Hang, Gold Crown and Mr. Leung at a consideration of HK\$883,500, HK\$372,000 and HK\$294,500, respectively. Immediately after the above allotment and issue of shares, the shareholding of Wan Kei Engineering was as follows:

<b>Date</b>	<b>Name of Shareholders</b>	<b>Approximate Shareholding %</b>
11 July 2008	Canton Management Corp.	84.4893%
	Garco Management Inc.	0.0107%
	Chung Hang	8.835%
	Gold Crown	3.72%
	Mr. Leung	<u>2.945%</u>
		<u><u>100%</u></u>

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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*Notes:*

1. As at 11 July 2008, Canton Management Corp. was owned by Chung Hang, Mr. Fong, Mr. Leung and Mr. Yeung as to 57%, 19%, 19% and 5%, respectively.
2. As at 11 July 2008, Chung Hang was owned by Mr. WS Lau, Ms. So, Ms. Wong Po Lin, Mr. CS Lau, Mr. CH Lau and Mr. Ian Lau as to approximately 94.65%, 1.07%, 1.07%, 1.07% and 1.07%, respectively.
3. As at 11 July 2008, Garco Management Inc. was owned by Chung Hang, Mr. Fong, Mr. Leung and Mr. Yeung as to 57%, 19%, 19% and 5%, respectively.
4. As at 11 July 2008, Gold Crown was owned by Mr. Fong and Mr. Yeung as to 79% and 21%, respectively.

On 22 October 2008, Canton Management Corp. transferred its 4,816,500, 2,026,930 and 1,605,500 shares in Wan Kei Engineering to Chung Hang, Gold Crown and Mr. Leung at a consideration of HK\$4,816,500, HK\$2,026,930 and HK\$1,605,500, respectively. On the same date, Garco Management Inc. transferred its 1,070 shares in Wan Kei Engineering to Gold Crown at a consideration of HK\$1,070. Immediately after the above transfers of shares, the shareholding of Wan Kei Engineering was as follows:

<b>Date</b>	<b>Name of Shareholders</b>	<b>Shareholding %</b>
22 October 2008	Chung Hang	57%
	Gold Crown	24%
	Mr. Leung	<u>19%</u>
		<u><u>100%</u></u>

*Notes:*

1. As at 22 October 2008, Gold Crown was owned by Mr. Fong and Mr. Yeung as to 79% and 21%, respectively.
2. As at 11 July 2008, Chung Hang was owned by Mr. WS Lau, Ms. So, Ms. Wong Po Lin, Mr. CS Lau, Mr. CH Lau and Mr. Ian Lau as to approximately 94.65%, 1.07%, 1.07%, 1.07%, 1.07% and 1.07%, respectively.

On 20 November 2014, Wan Wai acquired the entire issued share capital of Wan Kei Engineering from Chung Hang, Gold Crown and Mr. Leung at a nominal consideration of HK\$5,700, HK\$2,400 and HK\$1,900, respectively. The consideration is determined with reference to the issued share capital of Wan Kei Engineering and was fully settled on 28 November 2014. Immediately after the above acquisition of shares, Wan Kei Engineering became a wholly-owned subsidiary of Wan Wai.

### ***Chung Shun***

Chung Shun is our operating subsidiary which engages in ground investigation field works. Chung Shun is a company incorporated in Hong Kong on 14 December 1995 as a limited liability company by Ms. Yeung and an Independent Third Party. Its total number of shares in issue is 700,000 shares.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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On 14 December 1995, Chung Shun allotted and issued 1 and 1 shares to Ms. Yeung and an Independent Third Party at a consideration of HK\$1 and HK\$1, respectively. Immediately after the above allotment and issue of shares, the shareholding of Chung Shun was as follows:

<b>Date</b>	<b>Name of Shareholders</b>	<b>Shareholding %</b>
14 December 1995	Ms. Yeung	50%
	Independent Third Party	<u>50%</u>
		<u><u>100%</u></u>

On 15 December 1995, Chung Shun allotted and issued 499, 5,000 and 4,499 shares to Ms. Yeung, Wan Kei Engineering and two other Independent Third Parties at a consideration of HK\$499, HK\$5,000 and HK\$4,499, respectively. Immediately after the above allotment and issue of shares, the shareholding of Chung Shun was as follows:

<b>Date</b>	<b>Name of Shareholders</b>	<b>Shareholding %</b>
15 December 1995	Ms. Yeung	5%
	Wan Kei Engineering	50%
	2 Independent Third Parties	<u>45%</u>
		<u><u>100%</u></u>

On 10 July 1998, Wan Kei Engineering transferred its 5,000 shares in Chung Shun to Wan Kei Machinery at a consideration of HK\$5,000 taking into account the potential business networks and opportunities to be brought by Mr. WS Lau through Wan Kei Machinery. Immediately after the above transfers of shares, the shareholding of Chung Shun was as follows:

<b>Date</b>	<b>Name of Shareholders</b>	<b>Shareholding %</b>
10 July 1998	Ms. Yeung	5%
	Wan Kei Machinery	50%
	Independent Third Party	<u>45%</u>
		<u><u>100%</u></u>

## HISTORY, REORGANISATION AND GROUP STRUCTURE

On 18 January 1999, Chung Hang and Tachyon Limited acquired 2,250 and 2,250 shares in Chung Shun at a consideration of HK\$2,250 and HK\$2,250 from a then shareholder of Chung Shun, who is an Independent Third Party, respectively. Immediately after the above acquisition of shares, the shareholding of Chung Shun was as follows:

Date	Name of Shareholders	Shareholding %
18 January 1999	Ms. Yeung	5%
	Wan Kei Machinery	50%
	Chung Hang	22.5%
	Tachyon Limited	22.5%
		100%

*Notes:*

1. As at 18 January 1999, Chung Hang was owned by Mr. WS Lau, Ms. So, Ms. Wong Po Lin, Mr. CS Lau, Mr. CH Lau and Mr. Ian Lau as to approximately 0.91%, 4.50%, 4.50%, 30.03%, 30.03% and 30.03%, respectively.
2. As at 18 January 1999, Tachyon Limited was owned by Mr. Leung and his wife as to 50% and 50%, respectively.

On 12 January 2005, Chung Shun allotted and issued 34,500, 345,000, 155,250 and 155,250 shares in Chung Shun to Ms. Yeung, Wan Kei Machinery, Chung Hang and Tachyon Limited at a consideration of HK\$34,500, HK\$345,000, HK\$155,250 and HK\$155,250, respectively. Immediately after the above allotment and issue of shares, the shareholding of Chung Shun was as follows:

Date	Name of Shareholders	Shareholding %
12 January 2005	Ms. Yeung	5%
	Wan Kei Machinery	50%
	Chung Hang	22.5%
	Tachyon Limited	22.5%
		100%

*Notes:*

1. As at 12 January 2005, Chung Hang was owned by Mr. WS Lau, Ms. So, Ms. Wong Po Lin, Mr. CS Lau, Mr. CH Lau and Mr. Ian Lau as to approximately 16.67%, 16.67%, 16.67%, 16.67%, 16.67% and 16.67%, respectively.
2. As at 12 January 2005, Tachyon Limited was owned by Mr. Leung and his wife as to 50% and 50%, respectively.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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On 28 September 2007, Tachyon Limited transferred its 157,500 shares in Chung Shun to Mr. Leung at a consideration of HK\$157,500. Immediately after the above transfer of shares, the shareholding of Chung Shun was as follows:

<b>Date</b>	<b>Name of Shareholders</b>	<b>Shareholding %</b>
28 September 2007	Ms. Yeung	5%
	Wan Kei Machinery	50%
	Chung Hang	22.5%
	Mr. Leung	22.5%
		<hr/>
		100%

*Note:* As at 28 September 2007, Chung Hang was owned by Mr. WS Lau, Ms. So, Ms. Wong Po Lin, Mr. CS Lau, Mr. CH Lau and Mr. Ian Lau as to approximately 16.67%, 16.67%, 16.67%, 16.67%, 16.67% and 16.67%, respectively.

On 20 November 2014, Wan Wai acquired 50% of the entire issued share capital of Chung Shun from Chung Hang, Mr. Leung and Ms. Yeung at a nominal consideration of HK\$1,575, HK\$1,575 and HK\$350, respectively. The consideration is determined with reference to the issued share capital of Chung Shun and was fully settled on 28 November 2014. Immediately after the above acquisition of shares, Chung Shun was owned by Wan Wai and Wan Kei Machinery as to 50% and 50%, respectively.

### ***Wan Kei Machinery***

Wan Kei Machinery is our operating subsidiary which engages in machinery leasing. Wan Kei Machinery is a company incorporated in Hong Kong on 27 May 1998 as a limited liability company by Chung Hang, Gold Crown, Tachyon Limited and an Independent Third Party. Its total number of shares in issue is 100 shares.

## HISTORY, REORGANISATION AND GROUP STRUCTURE

On 27 May 1998, Wan Kei Machinery allotted and issued 38, 24, 19 and 19 shares to Chung Hang, Gold Crown, Tachyon Limited and an Independent Third Party at a consideration of HK\$38, HK\$24, HK\$19 and HK\$19, respectively. Immediately after the above allotment and issue of shares, the shareholding of Wan Kei Machinery was as follows:

Date	Name of Shareholders	Shareholding %
27 May 1998	Chung Hang	38%
	Gold Crown	24%
	Tachyon Limited	19%
	Independent Third Party	19%
		100%

*Notes:*

1. As at 27 May 1998, Chung Hang was owned by Mr. WS Lau, Ms. So, Ms. Wong Po Lin, Mr. CS Lau, Mr. CH Lau and Mr. Ian Lau as to approximately 0.91%, 4.50%, 4.50%, 30.03%, 30.03% and 30.03%, respectively.
2. As at 27 May 1998, Gold Crown was owned by Mr. Fong and Mr. Yeung as to 79% and 21%, respectively.
3. As at 27 May 1998, Tachyon Limited was owned by Mr. Leung and his wife as to 50% and 50%, respectively.

On 1 February 2001, Chung Hang acquired 19 shares in Wan Kei Machinery from a then shareholder of Wan Kei Machinery, who is a former employee of Mr. WS Lau, at a consideration of HK\$500,000. Immediately after the above acquisition of shares, the shareholding of Wan Kei Machinery was as follows:

Date	Name of Shareholders	Shareholding %
1 February 2001	Chung Hang	57%
	Gold Crown	24%
	Tachyon Limited	19%
		100%

*Notes:*

1. As at 1 February 2001, Chung Hang was owned by Mr. WS Lau, Ms. So, Ms. Wong Po Lin, Mr. CS Lau, Mr. CH Lau and Mr. Ian Lau as to approximately 0.91%, 4.50%, 4.50%, 30.03%, 30.03% and 30.03%, respectively.
2. As at 1 February 2001, Gold Crown was owned by Mr. Fong and Mr. Yeung as to 79% and 21%, respectively.
3. As at 1 February 2001, Tachyon Limited was owned by Mr. Leung and his wife as to 50% and 50%, respectively.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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On 28 September 2007, Tachyon Limited transferred its 19 shares in Wan Kei Machinery to Mr. Leung at a consideration of HK\$19. Immediately after the above transfer of shares, the shareholding of Wan Kei Machinery was as follows:

Date	Name of Shareholders	Shareholding %
28 September 2007	Chung Hang	57%
	Gold Crown	24%
	Mr. Leung	19%
		100%

*Notes:*

1. As at 28 September 2007, Chung Hang was owned by Mr. WS Lau, Ms. So, Ms. Wong Po Lin, Mr. CS Lau, Mr. CH Lau and Mr. Ian Lau as to approximately 16.67%, 16.67%, 16.67%, 16.67%, 16.67% and 16.67%, respectively.
2. As at 28 September 2007, Gold Crown was owned by Mr. Fong and Mr. Yeung as to 79% and 21%, respectively.
3. As at 28 September 2007, Tachyon Limited was owned by Mr. Leung and his wife as to 50% and 50%, respectively.

On 20 November 2014, Wan Wai acquired the entire issued share capital of Wan Kei Machinery from Chung Hang, Gold Crown and Mr. Leung at a nominal consideration of HK\$57, HK\$24 and HK\$19, respectively. The consideration is determined with reference to the issued share capital of Wan Kei Machinery and was fully settled on 28 November 2014. Immediately after the above acquisition of shares, Wan Kei Machinery became a wholly-owned subsidiary of Wan Wai.

### ***Wan Kei (Macau)***

Wan Kei (Macau) is our operating subsidiary which engages in foundation works in Macau. Wan Kei (Macau) is a company incorporated in Macau on 10 December 2004 as a limited liability company by Mr. CH Lau and Mr. Fong. On 10 December 2004, Wan Kei (Macau) allotted and issued 1 and 1 shares to Mr. CH Lau and Mr. Fong at a consideration of MOP\$14,000 and MOP\$14,000, respectively. Immediately after the above allotment and issue of shares, the shareholding of Wan Kei (Macau) was as follows:

Date	Name of Shareholders	Shareholding %
10 December 2004	Mr. CH Lau	50%
	Mr. Fong	50%
		100%

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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On 5 December 2014, Wan Kei Engineering acquired 1 and 1 shares in Wan Kei (Macau) (in aggregate representing then entire issued share capital of Wan Kei (Macau)) from Mr. CH Lau and Mr. Fong at the consideration of HK\$4,053,214 (equivalent to approximately MOP\$4,174,810) and HK\$4,053,214 (equivalent to approximately MOP\$4,174,810), respectively. The consideration of the aforesaid acquisition is based on the valuation of Wan Kei (Macau) at HK\$8,106,428 as at 31 October 2014 by an independent valuer.

As advised by our Macau legal advisers, the above acquisition of Wan Kei (Macau) was legally completed on 5 December 2014. The consideration for the acquisition had been fully settled on 5 December 2014. Immediately after the above acquisition of shares, Wan Kei (Macau) became the wholly-owned subsidiary of Wan Kei Engineering.

### CONCERT PARTY DEED

On 3 December 2014, Chung Hang, Gold Crown and our Controlling Shareholders executed the Concert Party Deed, pursuant to which, (i) each of Chung Hang, Gold Crown, Mr. WS Lau, Mr. Leung and Mr. Fong confirmed that, among other things, from 1 April 2011 to 20 November 2014 i.e. the date on which we acquired the entire interests in Chung Shun, Wan Kei Engineering and Wan Kei Machinery: (a) they had acted in concert and collectively for all material management affairs and the arrival and/or execution of all commercial decisions, including but not limited to financial and operational matters, of Chung Shun, Wan Kei Machinery and Wan Kei Engineering; (b) they had given unanimous consent, approval or rejection on any other material issues and decisions in relation to the business of Chung Shun, Wan Kei Machinery and Wan Kei Engineering; (c) they had casted vote collectively for or against all resolutions in all board and shareholders' meetings and discussions of Chung Shun, Wan Kei Machinery and Wan Kei Engineering; and (d) they had cooperated with each another to obtain and maintain and consolidate control and the management of Chung Shun, Wan Kei Machinery and Wan Kei Engineering; and (ii) each of Suntecli, Samwood, Mr. WS Lau, Mr. Leung and Mr. Fong confirmed that, among other things, in the course of the Reorganisation and until the date of any written termination by them: (a) they have acted and shall continue to act in concert and collectively for all material management affairs and the arrival and/or execution of all commercial decisions, including but not limited to financial and operational matters, of our Group; (b) they have given and shall continue to give unanimous consent, approval or rejection on any other material issues and decisions in relation to the business of our Group; (c) they have casted and shall continue to cast unanimous vote collectively for or against all resolutions in all board and shareholders' meetings and discussions of our Group; and (d) they have cooperated and shall continue to cooperate with each another to obtain and maintain and consolidate control and the management of our Group.

Accordingly, Suntecli, Samwood, Mr. WS Lau, Mr. Fong and Mr. Leung will together be entitled to exercise and control approximately 74.9% of our entire issued share capital immediately upon completion of the Global Offering (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the options that may be granted under the Share Option Scheme).



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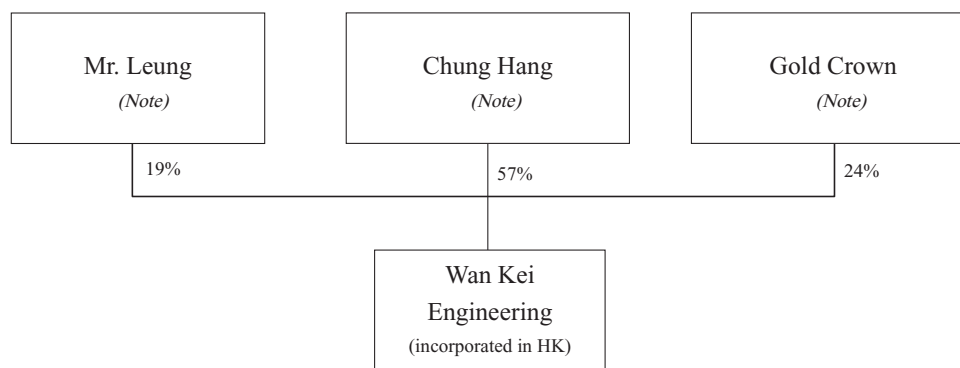
## HISTORY, REORGANISATION AND GROUP STRUCTURE

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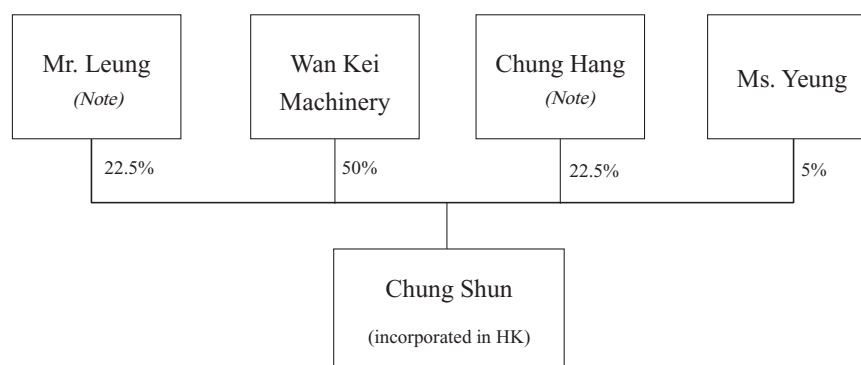
### REORGANISATION

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

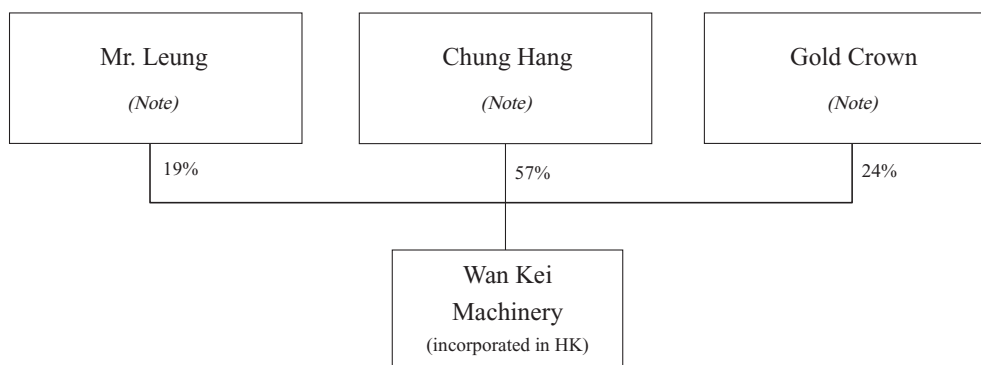
#### (A) Wan Kei Engineering



#### (B) Chung Shun



#### (C) Wan Kei Machinery

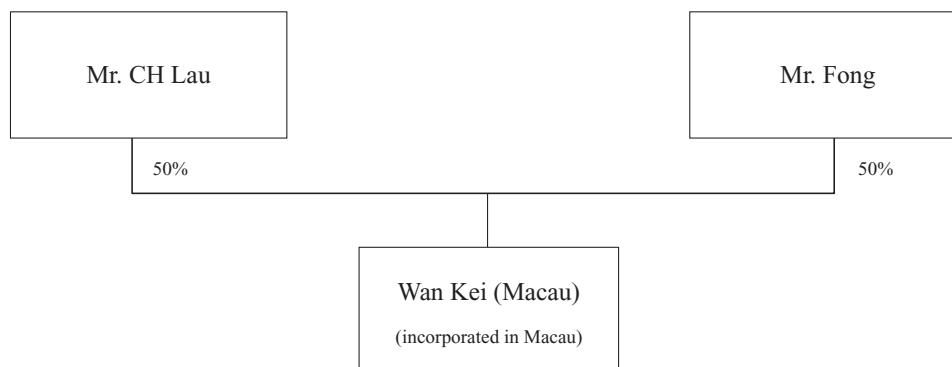


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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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### (D) Wan Kei (Macau)



*Note:* Chung Hang, Gold Crown, Mr. WS Lau, Mr. Leung and Mr. Fong were parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) pursuant to the Concert Party Deed.

The Reorganisation which was effected in preparation for the Listing, whereby our Company became the holding company of our Group, included the following major steps:

### (I) Incorporation of Suntecli, Samwood, Wan Wai, and our Company

- (i) Suntecli was incorporated in the BVI on 19 September 2014. On 25 September 2014, 17,600, 200, 200, 200, 200 and 200 shares of Suntecli were issued and allotted to Mr. WS Lau, Ms. Wong Po Lin, Ms. So, Mr. CS Lau, Mr. CH Lau and Mr. Ian Lau, which represent approximately 94.65%, 1.07%, 1.07%, 1.07%, 1.07% and 1.07% of the issued share capital of Suntecli, respectively.
- (ii) Samwood was incorporated in the BVI on 3 July 2014. On 25 September 2014, 79 and 21 shares of Samwood were issued and allotted to Mr. Fong and Mr. Yeung, which represent 79% and 21% of the issued share capital of Samwood, respectively.
- (iii) Wan Wai was incorporated on 30 September 2014 in the BVI. On 30 September 2014, 5,682, 2,364, 1,939 and 15 shares of Wan Wai were issued and allotted to Suntecli, Samwood, Mr. Leung and Ms. Yeung, which represent 56.82%, 23.64 %, 19.39% and 0.15% of the issued share capital of Wan Wai, respectively.
- (iv) Our Company was incorporated in the Cayman Islands on 7 October 2014. One nil-paid Share was allotted and issued to the subscriber to the memorandum and articles of association of our Company, which was later transferred to Suntecli on 7 October 2014. On 5 November 2014, 5,681, 2,364, 1,939 and 15 nil-paid Shares were allotted and issued to Suntecli, Samwood, Mr. Leung and Ms. Yeung, which represent 56.82%, 23.64%, 19.39% and 0.15% of the issued share capital of our Company, respectively.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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### (II) Acquisition of the Operating Subsidiaries

- (i) On 20 November 2014, Wan Wai acquired 57, 24 and 19 shares in Wan Kei Machinery from Chung Hang, Gold Crown and Mr. Leung at the nominal consideration of HK\$57, HK\$24 and HK\$19, respectively. After the aforesaid acquisition of share, Wan Kei Machinery became a wholly-owned subsidiary of Wan Wai.
- (ii) On 20 November 2014, Wan Wai acquired 157,500, 157,500 and 35,000 shares in Chung Shun from Chung Hang, Mr. Leung and Ms. Yeung at the nominal consideration of HK\$1,575, HK\$1,575 and HK\$350, respectively. After the aforesaid acquisition of shares, Chung Shun was directly owned by Wan Wai as to 50% and indirectly owned by Wan Wai through Wan Kei Machinery as to 50%.
- (iii) On 20 November 2014, Wan Wai acquired 5,700,000, 2,400,000 and 1,900,000 shares in Wan Kei Engineering from Chung Hang, Gold Crown and Mr. Leung at the nominal consideration of HK\$5,700, HK\$2,400 and HK\$1,900, respectively. After the aforesaid acquisition of shares, Wan Kei Engineering became a wholly-owned subsidiary of Wan Wai.
- (iv) On 5 December 2014, Wan Kei Engineering acquired 1 and 1 shares in Wan Kei (Macau) from Mr. CH Lau and Mr. Fong, respectively at the consideration of HK\$4,053,214 (equivalent to approximately MOP\$4,174,810) and HK\$4,053,214 (equivalent to approximately MOP\$4,174,810), respectively at the total consideration of HK\$8,106,428 (equivalent to approximately MOP\$8,349,620). After the aforesaid acquisition of shares, Wan Kei (Macau) became a wholly-owned subsidiary of Wan Kei Engineering.

### (III) Acquisition of Wan Wai by our Company

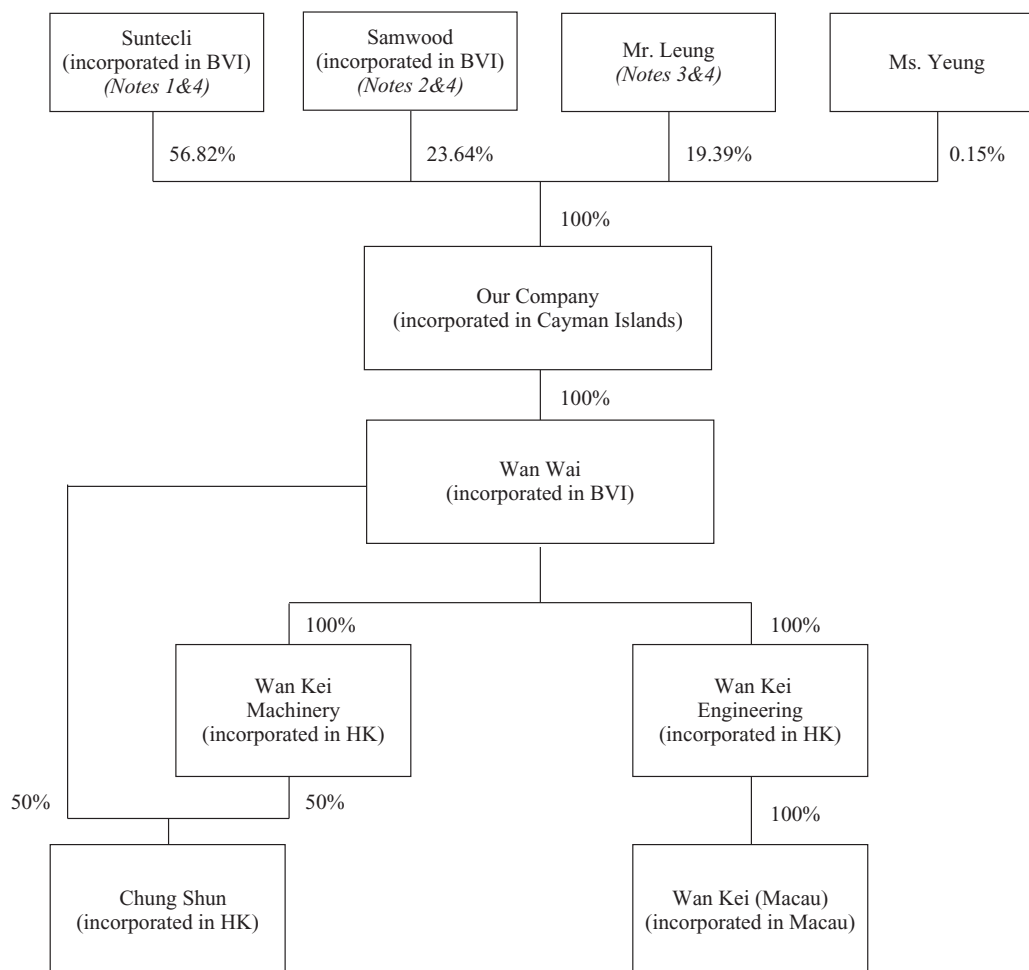
On 9 May 2015, our Shareholders resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$20,000,000 by creation of an additional 1,962,000,000 Shares, each ranking pari passu with our Shares then in issue in all respects.

On 9 May 2015, our Company acquired 5,682, 2,364, 1,939 and 15 shares in Wan Wai from each of Suntecli, Samwood, Mr. Leung and Ms. Yeung, respectively, and as consideration, the 5,682, 2,364, 1,939 and 15 nil paid Shares held by Suntecli, Samwood, Mr. Leung and Ms. Yeung were credited as fully paid, respectively and 397,734,318, 165,477,636, 135,728,061 and 1,049,985 new Shares were issued and allotted to Suntecli, Samwood, Mr. Leung and Ms. Yeung, all credited as fully paid, respectively. Upon completion of the share transfer, our Company held the entire issued share capital of Wan Wai and became a wholly-owned subsidiary of our Company.

## HISTORY, REORGANISATION AND GROUP STRUCTURE

As a result of the Reorganisation, our Company became the holding company of our Group comprising Wan Wai, Wan Kei Engineering, Chung Shun, Wan Kei Machinery and Wan Kei (Macau). As confirmed by our Directors, there were no outstanding options, warrants and/or convertibles in respect of each member of our Group as at the Latest Practicable Date.

The following diagram sets forth our corporate and shareholding structure immediately following completion of the Reorganisation.



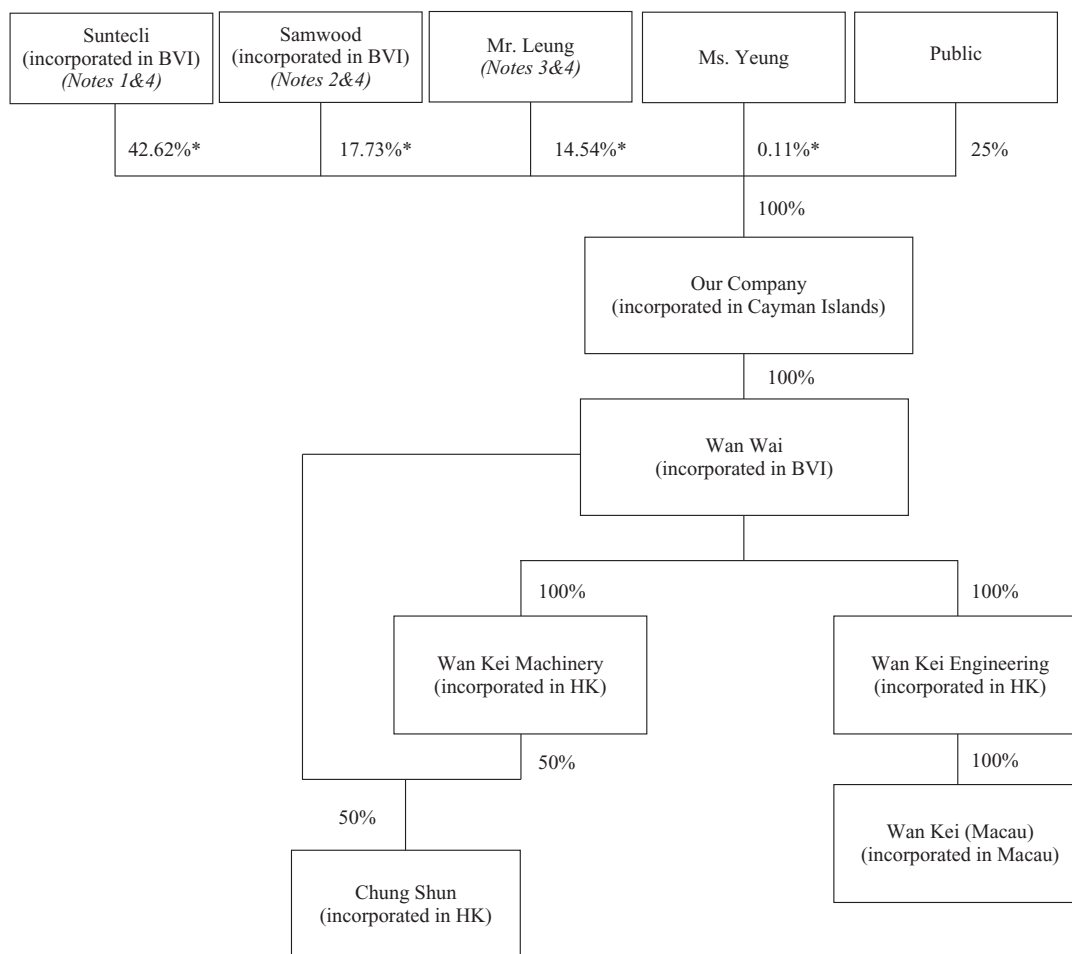
*Notes:*

1. Suntecli is an investment holding company owned by Mr. WS Lau, Ms. Wong Po Lin, Ms. So, Mr. CS Lau, Mr. CH Lau and Mr. Ian Lau as to approximately 94.65%, 1.07%, 1.07%, 1.07%, 1.07% and 1.07%, respectively. Ms. Wong Po Lin, Ms. So, Mr. CS Lau, Mr. CH Lau and Mr. Ian Lau are family members of Mr. WS Lau. Mr. WS Lau is our Chairman, an executive Director and the chairman of our nomination committee. Mr. CH Lau is our vice Chairman, an executive Director and a member of our remuneration committee. Mr. CS Lau is an executive Director. Ms. So, Ms. Wong Po Lin and Mr. Ian Lau do not participate in the daily operation of our Group.
2. Samwood is an investment holding company owned by Mr. Fong and Mr. Yeung as to 79% and 21%, respectively. Mr. Fong is our chief executive officer and an executive Director.
3. Mr. Leung is an executive Director.

## HISTORY, REORGANISATION AND GROUP STRUCTURE

4. Suntecli, Samwood, Mr. WS Lau, Mr. Leung and Mr. Fong have been parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) in the course of the Reorganisation and will continue to be parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) until such arrangement is terminated in writing by them pursuant to the Concert Party Deed.

The following diagram sets forth our corporate and shareholding structure immediately following completion of the Global Offering (assuming that any option granted under the Share Option Scheme is not exercised).



*Notes:*

1. Suntecli is an investment holding company owned by Mr. WS Lau, Ms. Wong Po Lin, Ms. So, Mr. CS Lau, Mr. CH Lau and Mr. Ian Lau as to approximately 94.65%, 1.07%, 1.07%, 1.07%, 1.07% and 1.07%, respectively. Ms. Wong Po Lin, Ms. So, Mr. CS Lau, Mr. CH Lau and Mr. Ian Lau are family members of Mr. WS Lau. Mr. WS Lau is our Chairman, an executive Director and the chairman of our nomination committee. Mr. CH Lau is our vice Chairman, an executive Director and a member of our remuneration committee. Mr. CS Lau is an executive Director. Ms. So, Ms. Wong Po Lin and Mr. Ian Lau do not participate in the daily operation of our Group.
2. Samwood is an investment holding company owned by Mr. Fong and Mr. Yeung as to 79% and 21%, respectively. Mr. Fong is our chief executive officer and an executive Director.
3. Mr. Leung is an executive Director.

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## HISTORY, REORGANISATION AND GROUP STRUCTURE

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4. Suntecli, Samwood, Mr. WS Lau, Mr. Leung and Mr. Fong have been parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) in the course of the Reorganisation and will continue to be parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) until such arrangement is terminated in writing by them pursuant to the Concert Party Deed.

\* *approximate percentage*

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## BUSINESS

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### BUSINESS OVERVIEW

We are principally engaged in providing: (i) foundation works; and (ii) ground investigation field works, in Hong Kong. Our foundation works, mainly consisted of the construction of socketed H-piles, mini piles, soldier piles, pipe piles and king posts, are our mainstream business and contributed approximately 86.9%, 89.4% and 89.0% of our total revenue of each of the three years ended 31 March 2015. During the Track Record Period, save that one project was located in Macau, all our projects were located in Hong Kong.

During the Track Record Period, we provided foundation works through Wan Kei Engineering and were generally engaged as a subcontractor or sub-subcontractor, and provided ground investigation field works through Chung Shun and were generally engaged as a main contractor. We undertake projects in both public and private sectors. During the Track Record Period and up to the Latest Practicable Date, we completed 87 and 59 projects of foundation works and ground investigation field works, respectively. As at the Latest Practicable Date, we had 31 and 16 on-going projects (either in progress or yet to commence) of foundation works and ground investigation field works, respectively, and the total outstanding contract sum of the same was approximately HK\$417.2 million and HK\$20.3 million, respectively. Approximately HK\$366.8 million and HK\$50.4 million of foundation works are expected to be completed before the financial year ending 31 March 2016 and 2017 respectively and all of the ground investigation work is expected to be completed before the financial year ending 31 March 2016.

According to the Ipsos Report, the revenue of Wan Kei Engineering for the year ended 31 March 2014 represented around 1.9% of the total revenue generated from the whole foundation industry in Hong Kong in 2014, and ranked second among foundation works subcontractors in Hong Kong in terms of share of total industry revenue in 2014.

### OUR COMPETITIVE STRENGTHS

We believe that our competitive strengths are as follows:

#### **We are an established foundation works subcontractor in Hong Kong**

We have been providing foundation works and ground investigation field works for over ten years. According to the Ipsos Report, the revenue of Wan Kei Engineering for the year ended 31 March 2014 represented around 1.9% of the total revenue generated from the whole foundation industry in Hong Kong in 2014, and ranked second among foundation works subcontractors in Hong Kong in terms of share of total industry revenue in 2014. Further, in 2012, we were recognised by the Development Bureau and Construction Industry Council as a model subcontractor in the Considerate Contractors Site Award Scheme 2011. During the Track Record Period and up to the Latest Practicable Date, we completed 87 and 59 projects of foundation works and ground investigation field works, respectively. As at the Latest Practicable Date, we had 31 and 16 on-going projects (either in progress or yet to commence) of foundation works and ground investigation field works, respectively. For details of our projects, please refer to the paragraph headed “Business – Business Model and Our Operation – Our projects” in this prospectus. In view of our long operating history, reputation and proven track record, our Directors consider that we are an established foundation works subcontractor in Hong Kong.

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## BUSINESS

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### **We provide wide range of high quality foundation works**

We attribute the strength of our operations in part to our wide range of service portfolio and in part to our service quality. The foundation works that we provided during the Track Record Period mainly consisted of the construction of socketed H-piles, mini piles, soldier piles, pipe piles and king posts. With our broad and high quality service portfolio, we are capable of providing foundation works of various scale for our customers. We have also provided ground investigation field works during the Track Record Period. Each type of our services caters to a different project need, aiming to cover various segments of the foundation industry. In recognition of our quality control system, we have obtained various awards and certifications. Our quality management system, environmental management system, and occupational health and safety management system, for design, supply and installation of rock-socketed steel H-pile in prebored hole and minipile works, have been assessed and certified as meeting the requirements of ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007, respectively. For further information, please refer to the paragraph headed “Business – Awards, Certifications and Corporate Social Responsibilities” in this prospectus. Our Directors believe that our advanced foundation know-how and strict quality control allow us to meet the diversified requirements of our customers and maintain our clientele base.

### **We have established foundation works capacity**

We consider our foundation works capacity to be a vital element of our continuous business growth, and in particular, our competence in providing high quality foundation works in order to meet the requirements of our customers and to respond to evolving market demands. With an aim to strengthen our market position in the foundation industry in Hong Kong, we have been enhancing our service capacity by expanding and maintaining our workforce and our fleet of specialised machinery and equipment. As at 31 March 2015, our fleet of machinery and equipment mainly comprised 42 sets of drilling rigs, 50 sets of air compressors, 5 sets of crawler cranes, and other equipment such as automatic grouting stations. For details, please refer to the paragraph headed “Business – Our Suppliers – Machinery and Equipment” in this prospectus. We also place emphasis on maintaining a regular workforce to ensure smooth and timely execution of our projects. As at 31 March 2015, for both foundation works and ground investigation field works, we had 108 site workers who possess the relevant skills to handle the operation of machinery and equipment at work sites. For details, please refer to the paragraph headed “Business – Our Employees” in this prospectus.

According to the Ipsos Report, large amount of capital are needed to invest in owning and operating specialised machinery used for foundation works. Such significant amounts of machinery investment would discourage new foundation works contractors from entering the industry. As such, we believe that our established foundation works capacity have given and will continue to give us a competitive advantage over any new joiners of the foundation industry as well as existing competitors who have a smaller scale of foundation works capacity compared to us. Our Directors also confirmed that our established fleet of specialised machinery and equipment has reduced our reliance on other lessors of machinery and equipment. Further, having a regular workforce and an established fleet of specialised



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## BUSINESS

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machinery and equipment enables us to cater to projects of various scale and to have a better coordination in our deployment of labour and machinery in different projects, which in turn increases our efficiency and ability to handle multiple projects simultaneously.

### **We have long-term relationships with our top five customers and suppliers**

As a result of our leading position in the foundation industry and established capacity, we have established long-term relationships with our top five customers during the Track Record Period who are primarily main contractors in the construction industry in Hong Kong. This allows us to gain market intelligence and understand the unique needs of customers for foundation works. As at the Latest Practicable Date, we had been working with our top five customers for a period ranging from 3 to 20 years. According to the Ipsos Report, quality foundation works are essential to main contractors as substandard foundation works could pose threat to the safety of any structure. Main contractors also place emphasis on timely completion of foundation works by the subcontractors because any delays in foundation works could lead to significant delays in other parts of the construction works, thereby resulting in potential claims and financial losses. Therefore, our Directors believe that main contractors generally give priority to foundation works subcontractors with whom they are familiar and who have a proven track record in providing quality foundation works in a timely manner. We are of the view that our long-term relationships with top five customers are our competitive advantages that cannot be easily replicated by other foundation works subcontractors, which has enabled us, and will continue to enable us, to differentiate ourselves from other subcontractors in the industry.

We have also established a long-term and stable working relationship with our network of suppliers. Our top five suppliers during the Track Record Period mainly consisted of sub-subcontractors of foundation works, lessors of machinery, and local distributors of diesel fuel, steel and cement. As at the Latest Practicable Date, our top five suppliers had been working with us for a period ranging from 5 to 18 years. We believe our established relationships with our top five suppliers have been and will continue to be our valuable assets enabling us to take up projects of various scale and service type, and fulfil our customers' requirements. This could also ensure stable and timely delivery of materials or services from our top five suppliers, which in turn minimises potential material disruption to our foundation works.

### **We have an experienced and dedicated management team**

We have an experienced and dedicated management team with extensive operational expertise and in-depth understanding of the foundation industry in Hong Kong, and this in turn allowed us to anticipate market trends when formulating our positioning and development strategies. Our executive Directors comprise a group of highly experienced individuals in the foundation industry, which has an average industry experience of greater than 28 years. Most integral to the success of our Group is Mr. WS Lau, our Chairman and executive Director, who has more than 40 years of experience in the foundation industry and has established close relationships with our customers and suppliers. His experience, coupled with extensive knowledge of the foundation industry in Hong Kong, enables him to understand market dynamism and industry practice for foundation works. Mr. CH Lau, our vice Chairman and executive Director, possesses over 16 years of working experience in the

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## BUSINESS

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foundation industry in Hong Kong. Mr. Fong, our executive Director and chief executive officer, has extensive experience in various fields of the construction industry, including surveying and foundation works. They are all dedicated to the foundation industry in Hong Kong and are committed to providing quality foundation works to customers. Through their leadership, we have grown through the different economic times for Hong Kong to become an established foundation works subcontractor in Hong Kong.

Our executive Directors and senior management members are supported by a stable and dedicated staff force at different levels. For the details of the experience of our senior management team, please refer to the paragraph headed “Directors, Senior Management and Staff – Senior Management” in this prospectus. Under the leadership of our management team, we have built up our foundation capacity, expanded our service types 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 Hong Kong by implementing the following business strategy:

#### **To consolidate and expand our foundation works capacity in Hong Kong**

Due to the commencement of projects concerning the development of Eastern and Northern parts of the New Territories, development of Wan Chai, new MTR lines and MTR extension, the revenue of the foundation works sector of construction industry in Hong Kong is expected to grow from approximately HK\$24.5 billion in 2015 to approximately HK\$43.2 billion in 2018, representing a CAGR of approximately 20.8%, according to the Ipsos Report. As revealed by the Ipsos Report, the Government is launching a series of policies to increase the housing supply in Hong Kong in the coming years. Further, the average fee of each foundation works project in Hong Kong had increased from approximately HK\$25.5 million in 2009 to approximately HK\$34.3 million in 2014, representing a CAGR of approximately 6.1%. In view of the aforesaid, our Directors are of the view that the demand for foundation works in Hong Kong will continue to rise in the coming years.

With our established foundation works capacity and proven track record of high quality service, we believe that we are well positioned to expand our market share and maintain our leading status in the foundation industry in Hong Kong. We currently plan to expand our scale by continuing to maintain and enhance our workforce and our fleet of machinery and equipment. Our Directors consider that a team of skilled workforce with appropriate knowledge and experience in undertaking various types of operational works are critical to our continuing success. In this regard, we plan to recruit additional staff, including two foremen, two machinery operators, seven skilled labour, two welders and two safety assistant officers, and plan to hire service of a safety consultant, in the next four years. In this regard, we plan to spend a total of approximately HK\$6.6 million of our proceeds from the Global Offering within four years after the Listing.

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## BUSINESS

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We also plan to acquire additional machinery and equipment so as to replace some of the aged machinery and enhance our Group's foundation capacity. Such machinery and equipment include but not limited to three sets of large drilling rigs, three sets of small drilling rigs, seven sets of air compressors and two sets of crawler cranes, respectively from time to time in the next four years. In addition, we intend to purchase: (i) one set of automatic grouting stations to reduce the manpower required for cement mixing; and (ii) two sets of crane lorries and one set of vibro hammer so as to avoid our reliance on suppliers and reduce our rental expenses in this regard. In this regard, we plan to spend a total of approximately HK\$41.6 million of our proceeds from the Global Offering within four years after the Listing.

Our Directors believe that by expanding our scale of operation, we will be able to (i) undertake foundation works projects of a larger scale; (ii) achieve better coordination in the deployment of machinery and labour forces in order to optimise our operational efficiency; and (iii) have additional manpower to further strengthen our quality and work safety assurance which is of utmost importance to our Group's competitiveness in the foundation industry.

For further details in relation to our use of proceeds to implement the plans set out above, please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus. As at the Latest Practicable Date, we have not identified any acquisition targets.

### **BUSINESS MODEL AND OUR OPERATION**

The employers of construction projects in Hong Kong can be generally classified into two segments, namely: (i) the public sector, which refers to the Government department or statutory bodies in Hong Kong; and (ii) the private sector, which refers to parties other than the public sector, including but not limited to property developers in Hong Kong. They normally engage main contractors who will generally be responsible for the administration and overall supervision of all construction works involved in the construction project. The main contractors may not carry out all the construction works by themselves and will usually delegate specific work tasks, such as foundation works, to different subcontractors. As revealed by the Ipsos Report, it is a common practice of the construction industry in Hong Kong for 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 contractor does not have the expertise in certain area; (iii) the main contractor needs to share project workload due to the large project size and tight deadline; and/or (iv) the main contractor does not have the registration required to tender for the projects. For details, please refer to the paragraph headed "Industry Overview – Competitive Analysis of The Foundation Industry in Hong Kong" in this prospectus. Depending on the internal resources level, cost effectiveness and level of works complexity, the subcontractors may further delegate part of the foundation works, or a particular step, such as drilling, welding or grouting, of the entire or certain portions of the foundation works to their sub-subcontractors.

Our projects are classified as either in the public sector or private sector by the nature of the employers of the relevant construction projects that we are involved in. During the Track Record Period, we undertook projects in both public and private sectors in Hong

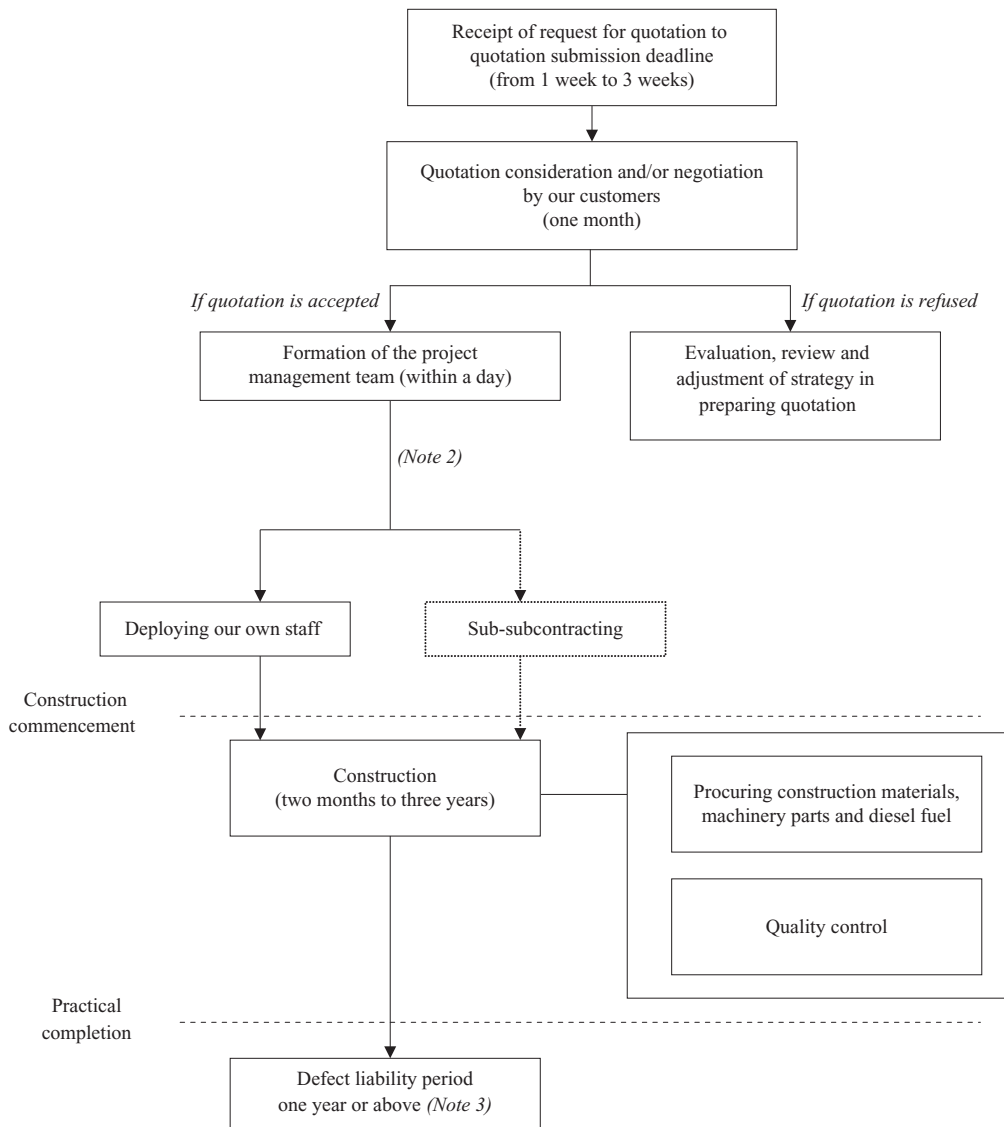
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## BUSINESS

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Kong. We provided foundation works through Wan Kei Engineering and were generally engaged as a subcontractor or sub-subcontractor, and provided ground investigation field works through Chung Shun and were generally engaged as a main contractor. As such, our customers of foundation works are generally the main contractors; whereas our customers of ground investigation field works are generally the employers of construction projects in Hong Kong.

During the Track Record Period, we obtained projects either by (i) quotation request directly by our customers; or (ii) public tender. In stating so, during the Track Record Period, we participated in public tendering for two times only. For these two public tenders we submitted, we were awarded the master agreement of ground investigation field works projects GI1 and GI2 with Customer D. Other than these two projects, we obtained all our projects by quotation request directly by our customers during the Track Record Period. The following pattern illustrates the work-flow of our typical foundation works project (*Note 1*):



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*Notes:*

1. This work-flow also applies to our typical ground investigation field works project. The stage from investigation commencement to practical completion generally comprises of taking samples, laboratory testing and producing ground investigation field works report, which generally lasts for two to three months.
2. It may last for several days to several months after our quotation is accepted to construction commencement, depending on the work programme of our customers.
3. Depending on the terms and conditions of the subcontracts, our defect liability will generally be (i) a specified period of one year or above, after completion of our subcontract works; or (ii) a period until the expiry of the defect liability period undertaken by our customers as main contractors.

### **Project quotation**

With the support of the Ipsos Report, our Directors considered that our customers will consider a number of factors, including but not limited to (i) reputation and track records; (ii) relationship with customers; (iii) flexibility; and (iv) price, to select their contractors (of any tiers) and invite them to submit quotations for their consideration. For more discussion about these four factors, please refer to the paragraph headed “Factors of competition” in our section “Industry Overview” in this prospectus. Further, with the support of the Ipsos Report, some of our customers will, based on these four factors in general, assess, select and identify certain contractors to be on their internal approved list of contractors. If there is any construction project which they need to contract-out the foundation works or any part of the same, they will only invite the contractors on their internal approved list to submit their respective quotations for their further selection and consideration.

When our customers approach us and request a quotation for certain foundation works projects, they normally provide us with, among others, the relevant information for preparing our quotation, namely the: (i) project background; (ii) site information; (iii) preliminary geological/ground investigation; (iv) foundation design drawings, materials to be used and specifications; and (v) work schedule. Our executive Directors will be responsible for preparing the quotations. Our customers generally require us to prepare and submit our quotations within a certain period, ranging from 1 week to 3 weeks, after we receive their requests.

For foundation works projects, there are cases that our customers, in requesting us to submit quotations to them, have not yet been awarded with the construction project as a main contractor. To the best knowledge of our Directors, they would request a number of foundation subcontractors to submit to them preliminary quotations in order to facilitate their cost assessment to bid for the construction project as a main contractor. After that being awarded with the construction project as a main contractor, they would further select a number of subcontractors who have previously submitted to them the preliminary quotations, and require them to submit detailed quotations for their selection and consideration.

We generally prepare our quotation based on our estimated costs to be incurred for the project plus a certain mark-up margin. In estimating our project costs, we take into account various factors, including but not limited to the: (i) foundation design, size and specifications; (ii) site conditions; (iii) price quotations from our suppliers in relation to construction materials to be used; (iv) machinery usage; (v) internal human resources; (vi)

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work schedule; (vii) quotation from our lessors of machinery and sub-subcontractors (if necessary); and (viii) surroundings of the site and neighbourhood. In determining the mark-up margin, we take into account various factors, including but not limited to the: (i) uncertainty of the geological conditions; (ii) potential complexity of the works; (iii) risk factors; (iv) historical construction fee we received for similar projects; (v) prevailing market construction fee; and (vi) relationship with our customers.

After the commencement of foundation works, the profit margins of our projects may fluctuate due to uncertainty concerning the geological conditions of different site locations. The actual geological conditions may deviate from findings in the preliminary geological investigation provided by our customers, which may result in increased expenses and/or prolonged work schedules. For example, our foundation works projects F8 and F10 had encountered the situation of boulder subsoil condition during the drilling process. As to its impact to our direct costs, please refer to the paragraph headed “Financial Information – Period to Period Comparison of Results of Operations” in this prospectus. In order to mitigate such risk, our executive Directors may physically visit the site where the foundation works would be undertaken. Through their observation and based on their experience and industry knowledge, they would have a more accurate assessment of the geological conditions of the relevant sites and make adjustment to the mark-up margin accordingly during the preparation of the quotation.

Our quotation generally contains a price list which sets out the fee in relation to each work task to be carried out. For certain work tasks, such as piling, we charge in the form of fee rate, such as certain price per metre. Since the actual geological conditions may deviate from findings in the preliminary geological investigation, the specified length of the piles provided by our customers may need to be adjusted during the construction stage. Accordingly, the final price of the piles will be calculated according to the agreed fee rate. Our executive Directors consider that this arrangement could mitigate the risk of uncertainty concerning the geological conditions.

After we submit our quotation, we will attend interviews with our customers, respond to our customers’ queries and/or negotiate with our customers about the contract terms, which are responsible by our executive Directors. They will use their best endeavour to present our competitive strengths to our customers in order to strive for the profitable projects against our competitors. For details of the major contract terms with our customers, please refer to the paragraph headed “Business – Our Customers – Major terms of Our Contracts” in this prospectus. We keep soft copy of and assign a reference number for every quotation we submit, irrespective of its results. Such arrangement generally facilitates us to carry out evaluation, review and adjustment of strategy in preparing future quotation. It generally takes around one month for our customers to consider our quotations and inform us whether they would award us with the foundation works project.

### **Project implementation**

#### *Formation of project management team*

Once we are awarded with a foundation works project, we will form a project management team, which is normally headed by Mr. Fong and Mr. CH Lau who will appoint a foreman and a supervisor to be the persons-in-charge of the project, who will in turn report to Mr. Fong and Mr. CH Lau. Depending on the size of the project and the complexity of the works to be undertaken, our project management team may also include additional staff.

Our project management team takes charge of the overall management of our foundation works projects. Its responsibilities generally include: (i) formulation of detailed works programme; (ii) procurement of construction materials, machinery parts and diesel fuel; (iii) leasing of machinery; (iv) delegation of work tasks to sub-subcontractors if necessary; (v) supervision of our work progress and quality; (vi) implementation of our safety measures; and (vii) participation in project meetings and coordination with our customers, sub-subcontractors, suppliers, and any other parties engaged by the employers of the construction projects to assess and review the progress of the projects and to identify and resolve any problem or issue which may arise during the course of carrying out our foundation works, if necessary.

Further, our other executive Directors will closely monitor the progress of the project to ensure that our works performed meet our customer's requirements, is completed as scheduled and within the budget as stated in the subcontract, and in compliance with all applicable statutory requirements, safety, environmental and other related legal or regulatory requirements.

#### *Our construction materials, machinery, machinery parts and diesel fuel*

Most of our foundation works require heavy use of machinery and equipment. Our major machinery including air compressors, drilling rigs and crawler cranes, and other equipment such as automatic grouting stations, are mainly manufactured in Japan, Italy, Sweden, Hong Kong and the PRC. For certain parts of our machinery, which are consumable and require regular replacement, such as diamond and button bits, we regularly place orders with our suppliers with reference to our workloads. During the Track Record Period, we rent machinery and equipment, including air compressors, crawler cranes and backhoes, from our suppliers. As licensed workmen are also provided by our suppliers to assist us in operating these machinery, this serves as an additional source of staff for our foundation works projects.

The construction materials that we purchased generally consist of cement and steel. We use diesel fuel to operate our machinery at construction sites. Most of our construction materials and diesel fuel are sourced from our suppliers in Hong Kong. For contracts undertaken by us as a subcontractor or a sub-subcontractor, if the contract entered into between us and our customer and/or the main contractor so provides, our customer and/or the main contractor may be responsible for purchasing and bearing the cost of certain construction materials, such as steel reinforcement and/or steel H-pile, for us to carry out the



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subcontracted works concerned, which was so happened in foundation works project F9. In some situations, upon our request, we may purchase diesel fuel and steel from our customers and/or the main contractors. Such purchase cost of diesel fuel and steel are settled by way of contra-charge to the account with such customer and/or main contractor, in the sense that the payments due to us from our customer and/or the main contractor will be settled after netting off such purchase cost of diesel fuel and steel.

At the outset of our foundation works, we will estimate the amount of construction materials we need throughout the projects. The quotations submitted by our suppliers to us generally specify the quantity and price of the construction materials required. The terms and conditions of our purchase orders vary from project to project, depending on our needs and relationship with the suppliers. We place orders for diesel fuel and construction materials from time to time to ensure its level is sufficient at the construction sites to meet the estimated demand according to the work schedules. In general, the construction materials and diesel fuel we ordered are delivered by our suppliers to the construction sites directly, and the delivery generally takes around two to three weeks upon our orders. Under the normal circumstances, due to the limited space available for storage on-site, we generally do not keep excess construction materials and diesel fuel.

### *Sub-subcontracting*

Although we have the required skills to carry out our works, we will engage sub-subcontractors when our executive Directors consider that such sub-subcontracting arrangements are in the best interests of our Group. Depending on our internal resources level, cost effectiveness and level of works complexity, we may sub-subcontract part of our foundation works, or a particular step, such as drilling, welding and/or grouting, of the entire or certain portions of the foundation works to our sub-subcontractors. We also engaged subcontractors in our ground investigation field works. For details of our sub-subcontracting, please refer to the paragraph headed “Business – Our Suppliers – Sub-subcontracting” in this prospectus.

### *Progress payment*

After being awarded with a foundation works project, we usually do not receive any sums as prepayment from our customers. In accordance with terms of the subcontracts, we are generally required to provide our customers with, on a monthly basis, a written statement of the value of all works properly done under the subcontract, being the progress payment application. Our customers and/or the employers of the construction projects will then assess such written statement and certify the amount we are entitled to be paid for the relevant month. For details of our revenue recognition policy, please refer to the paragraph headed “Financial Information – Critical Accounting Policies – Revenue recognition” in this prospectus.

Credit terms granted to our customers vary from contract to contract. The settlement date is determined with reference to the payment certificate date and usually coincides with the payment certificate date, which is approximately 30 days upon our submission of progress payment application. Notwithstanding the above, the settlement date could range from 30 days to 50 days from the payment application date or 0 days 60 days from the



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certificate date, subject to actual payment certification and the terms and conditions of the contracts. For discussion of our trade debtors progress billing days during the Track Record Period, please refer to the paragraph headed “Financial Information – Net Current Assets – Trade and other receivables” in this prospectus.

As the progress of our work depends on the schedule of the main contractor, there might be instances where there is no measurable work done for certain months on a particular project. Under such circumstances, we will only submit our written statement of the value of all works properly done under the subcontract to our customers until a measurable amount of work has been done. During the Track Record Period, we did not make any provision for doubtful debt in respect of trade debtors.

### *Supplemental or variation orders from our customers*

In some projects, our customers may request for certain additional works beyond the scope set out in our subcontracts. As stated above, the agreed quotation with our customer generally contains a price list which sets out the fee in relation to each work task to be carried out, and for certain work tasks, such as piling, we charge in the form of fee rate, such as certain price per metre. Therefore, if there is a pre-agreed fee rate in the subcontract for the additional work, such as piling, the additional work is generally priced in that pre-agreed fee rate. If there is no pre-agreed fee rate, we will provide a quotation to our customer, the mechanism of which is similar to providing our project quotation.

Depending on the terms and conditions of the subcontracts, the main contractors may give instructions to vary the subcontract works which we are generally obliged to follow. Such variation orders could be addition, modification or cancellation of the subcontract works. The value of the variations, in particular the addition or modification of subcontract works, is generally ascertained with reference to the rates and prices specified in the subcontract for analogous work and/or the prevailing market rate, and then the total subcontract sum of the relevant project is adjusted accordingly. For any subcontract works to be canceled, the total subcontract sum of that project is to be deducted according to the rates and prices of such subcontract works as stated in the agreed quotation.

For any variations, some of our customers may issue to us an instruction letter, but some of our customers may just verbally inform us, all depending on their respective working culture.

Our Directors consider that the material cancellation of the subcontract works by our customers during the Track Record Period consisted of six works orders of our ground investigation field works project GI2 and one foundation works project with Customer F, which in aggregate amounted to nil, nil and approximately HK\$7.3 million for each of the three years ended 31 March 2015, respectively.

The progress of the additional works under the supplemental and variation orders will also be reflected in our written statement of the value of all works properly done under the subcontract of the relevant month, and payment for the works done under the supplemental and variation orders will be subject to the aforesaid certification process as for pre-agreed works.

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### *Payment to our suppliers*

Our suppliers include sub-subcontractors of foundation works in Hong Kong, lessors of machinery and local distributors of diesel fuel, steel and cement.

We generally, on a regular basis, assess the values in respect of the portion of work completed by our sub-subcontractors. Depending on the subcontract terms with our customers, in order to ensure due and punctual payments to all labour on the construction sites, we may be required by our customers to apply the interim payments payable to us to first discharge the wages payable to our workers for the subcontract works, including both the employees retained by us and our sub-subcontractors. As such, we may make salary payment directly to the employees of our sub-subcontractors.

In assessing the progress payment payable to our sub-subcontractors, we will deduct payments previously made to them in respect of their employees' salaries from the sums that they are entitled to for the portion of work completed, if applicable. An interim payment report will be prepared and agreed with our sub-subcontractors on the assessed outstanding interim payment including certain breakdown.

Credit terms granted to us by our suppliers vary from contract to contract. Our suppliers, on average, grant us a credit period of two to three months upon the issue of an invoice. We generally settle our trade payables within 60 days from the invoice dates. Notwithstanding the above, we would usually make payments to our suppliers or sub-subcontractors after we have received payment certificates and settlement from our main contractors or customers for works we performed. For discussion of our trade creditors' turnover days during the Track Record Period, please refer to the paragraph headed "Financial Information – Net Current Assets – Trade and other payables" in this prospectus. During the Track Record Period, our Directors confirm that there was no default in payment of trade payables.

### *Duration of our foundation works projects*

Duration of our foundation works projects are affected by a wide range of factors, including but not limited to: (i) technical complexity; (ii) geological conditions of the work sites; (iii) input of machines and labour; (iv) expectation of employers of the construction projects; (v) work programme of the main contractors; and (vi) supplemental and/or variation orders. In general, we are required to perform our subcontract work according to the work programme of our customers as the main contractors, which may be revised from time to time. The expected project duration and completion time may be stated in our subcontract with our customers. The construction periods, which normally refer to the period between construction commencement of the foundation works and practical completion excluding the defect liability period, of most of our foundation works projects during the Track Record Period varied from around two months to three years. Foundation works project duration may sometimes be lengthened due to unanticipated weather and geological conditions of the work sites, exceptional technical complexities and occasional variation orders from our customers after construction commencement of the foundation works. In such cases, we will discuss with our customers with an aim to revise our work programme and/or restate the original estimated project duration. During the Track Record Period, we had not been penalised by our customers as a result of material delay in project completion.

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### **Completion and retention monies**

In general, we regard a subcontract as practically completed (excluding the defect liability period) once we completed all the subcontract work thereunder. We will then remove our machinery and labour from the work sites such that our customer and other subcontractors can continue with their work according to the construction work programme. We generally submit our final account together with our application for the last instalment of progress payment for our customers' review. Our customers will then consider and agree on the final account with us. The final account will set out, among others, the final outstanding balance due to us.

In order to ensure due completion of the entire subcontract work, our customers will usually be given the right to withhold approximately 5% to 10% of each progress payment due to us as retention monies. In general, the subcontracts will specify that the total amount of retention monies shall not exceed approximately 5% of the total sum of the subcontracts. The retention monies are generally released to us in two instalments but the retention period could vary. For example, the first half and second half of the retention monies (i.e. each normally equivalent to around 2.5% of the total sum of the subcontracts) are generally released within six months and 12 months, respectively, after (i) the completion of our subcontract work, (ii) the completion of the construction project, or (iii) the completion of all the rectification works to the full satisfaction of the employer of the construction project and the main contractor, as the case may be. As at 31 March 2015, our retention receivables amounted to approximately HK\$52.6 million. During the Track Record Period, we did not make any provision for doubtful debt in respect of retention receivables. As at the Latest Practicable Date, HK\$4.0 million of retention monies recorded as at 31 March 2015 has been released to us and the expected release dates of the remaining retention monies should fall between 2015 and 2017.

Similar to the aforesaid arrangement between our customers and us, we generally withhold approximately 5% to 10% of each of the progress payment due to our sub-subcontractors as retention monies to guarantee their due completion of the sub-subcontract works. As at 31 March 2015, our retention payables amounted to approximately HK\$2.0 million.

### **Defect liability period**

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. Our defect liability period will generally be (i) a specified period after completion of our subcontract work; or (ii) a period until the expiry of the defect liability period of our customers as the main contractors, depending on the terms and conditions of the subcontracts. During the Track Record Period and up to the Latest Practicable Date, we did not receive any material claim from our customers in relation to defects or imperfections discovered during the defect liability period. Therefore we have not made any provision for repair and maintenance costs in respect of our defective works during the defect liability period.

### OUR WORKS

Our foundation works mainly consist of the construction of socketed H-piles, mini piles, soldier piles, pipe piles and king posts. Our piles are constructed on site by casting steel piles in pre-bored holes that extend into the bedrock or designed depth. Bored piling by nature is non-percussive because drilling basically has less vibration. Therefore, it produces limited disturbance to the neighbourhood.

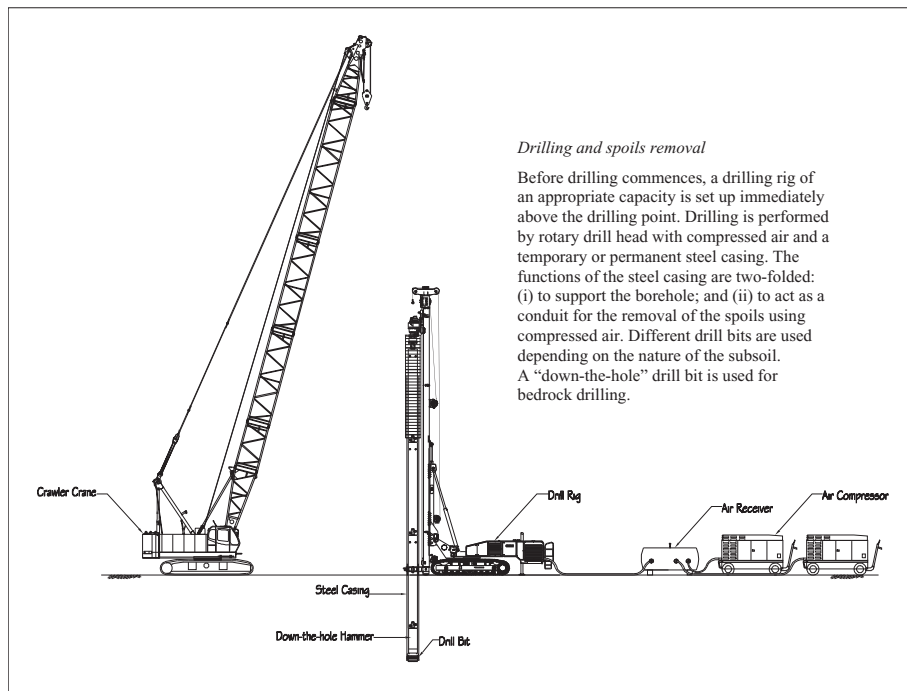
Steel piles used in bored piling can be generally classified into H-piles (or namely H-steel beams) and mini piles (or namely bundle of steel rebars). Our piles can be used for providing lateral support for excavation work, constructing piled foundation and underpinning.

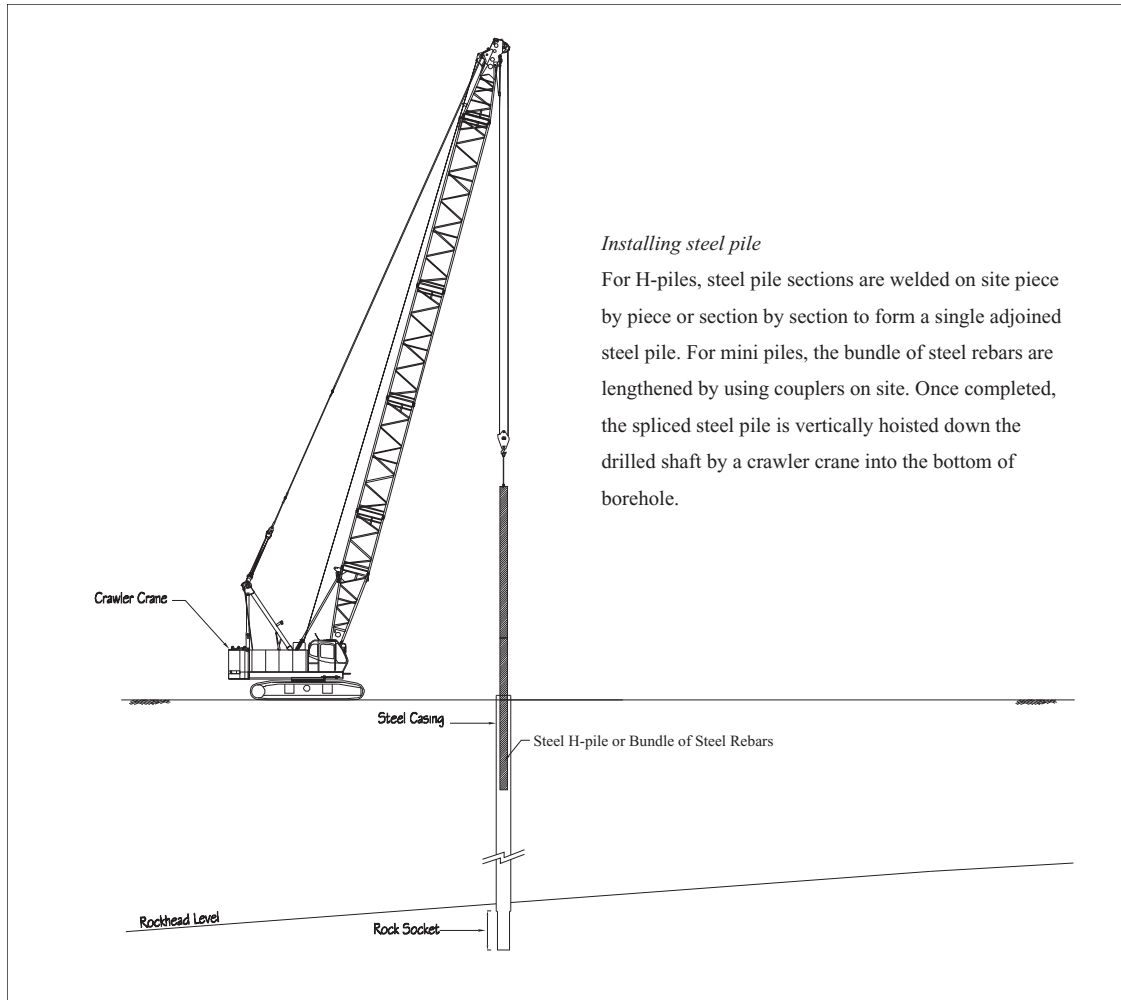
Apart from foundation works, we also provide ground investigation field works to our customers.

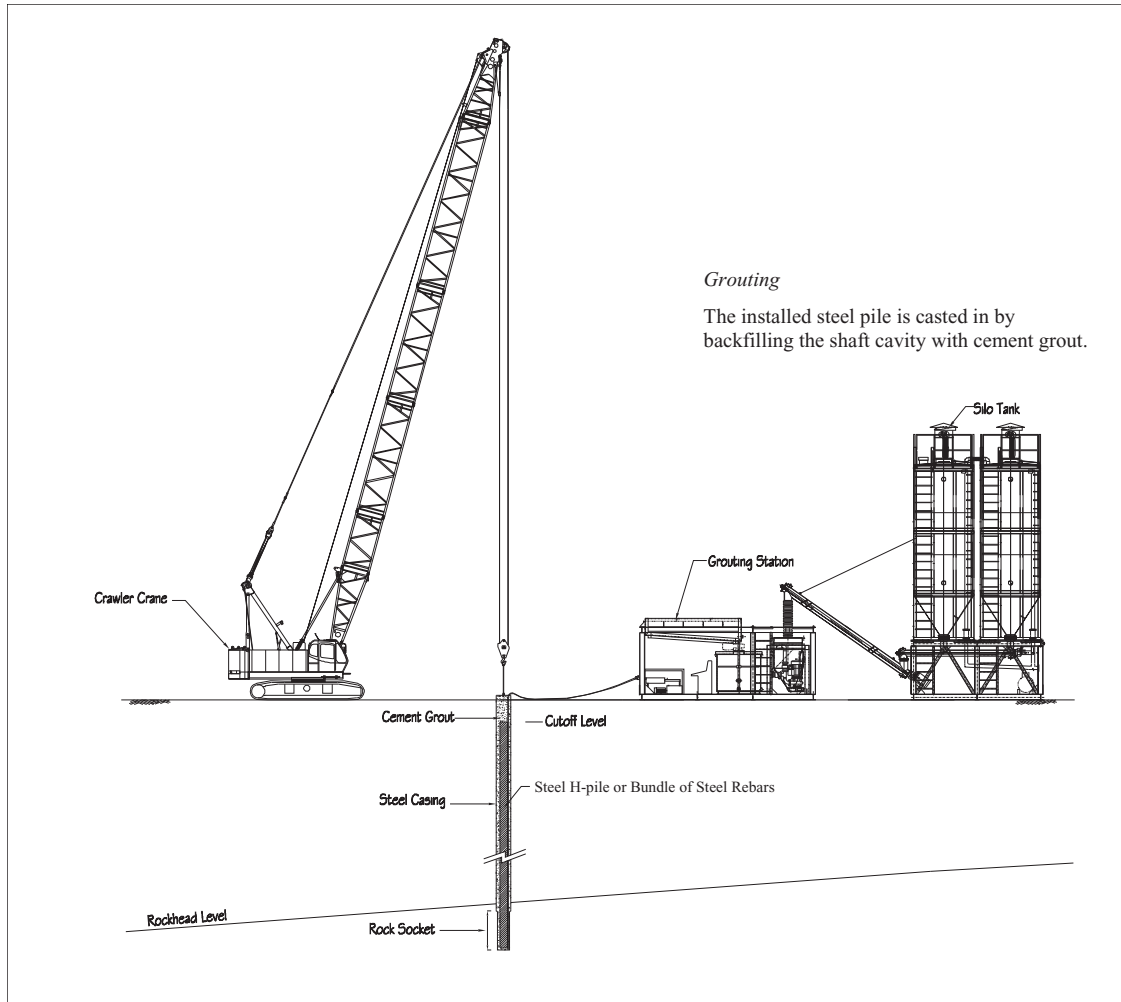
Foundation works are our mainstream business. In general, the construction of our piles involves the following steps:

- (i) drilling a hole that extends into the bedrock or designed depth, with the removal of the excavated materials, namely the spoils, from the hole (“drilling and spoils removal”);
- (ii) installing the spliced steel pile in the hole (“installing steel pile”); and
- (iii) backfilling the hole with cement grout (“grouting”).

These three steps are demonstrated as follows:







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The following table provides a comparison of the general features pertaining to H-pile and mini pile:

	<b>Mini pile</b>	<b>H-pile</b>
Pile Construction	Bundle of steel rebars are installed in a pre-bored hole formed in the bedrock and grouted with cement to form a pile.	Steel H-pile is installed in a pre-bored hole formed in bedrock and grouted with cement to form a pile.
Drilling Rig	Compact drilling rig	Larger-sized drilling rig
Diameter	219 mm to 323 mm	610 mm to 800 mm
Steel sections	Steel rebars	H-beams
Steel support casing	Permanent casings are used for the entire length against soil or unstable ground stratum during drilling. They will be left in ground after grouting.	Temporary casings are used for the entire length against soil or unstable ground stratum. They will be withdrawn once grouting is completed.
Method of splicing steel sections	Using of coupler	Welding
Features	<ul style="list-style-type: none"> <li>● Support lower working load</li> <li>● Convenient to be used in confined site with difficult access, limited working space, congested environment or low headroom</li> <li>● Useful for underpinning work</li> </ul>	<ul style="list-style-type: none"> <li>● Support higher working load than mini pile</li> <li>● Economical and effective for taking load up to around 6000 kN per pile</li> </ul>

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## BUSINESS

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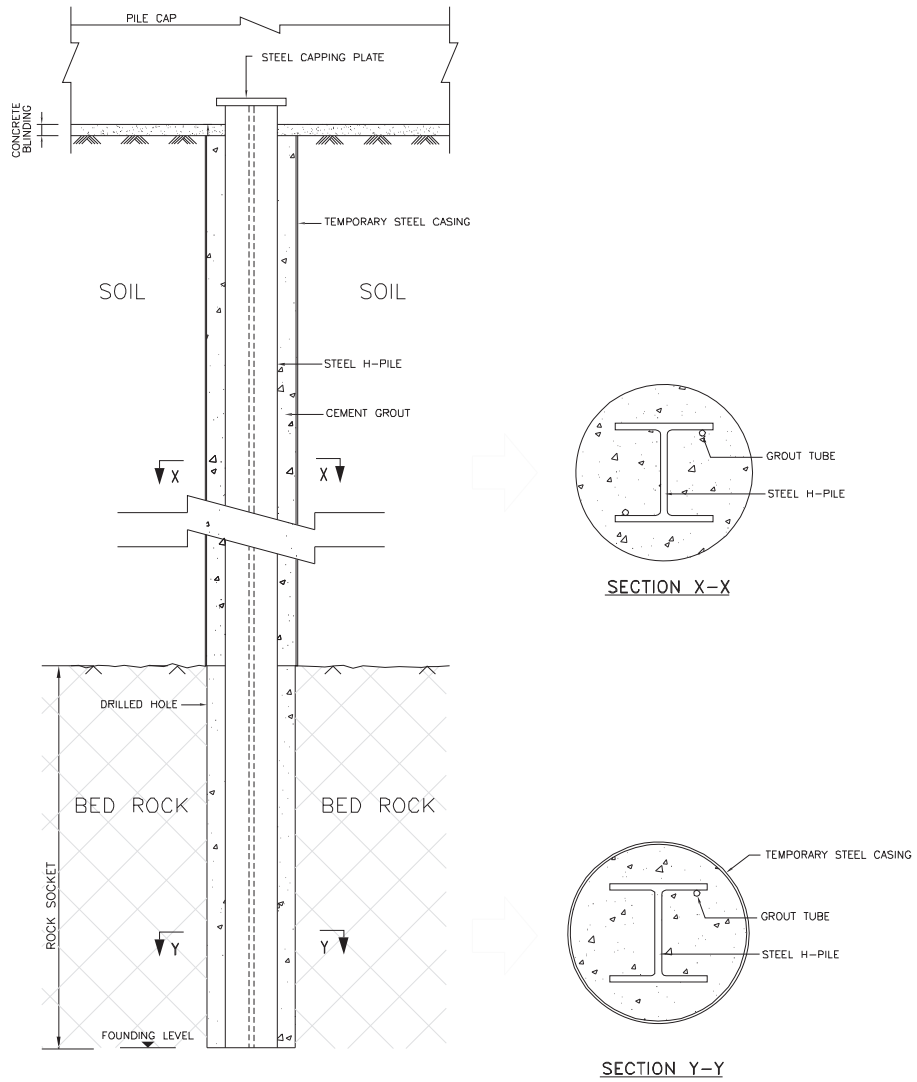
The construction of our piles is highly specific to the geology of a given site. According to the experience and knowledge of our executive Directors, the design of pile is influenced by, including but not limited to, the following factors:

- the depth of bedrock;
- the nature of subsoil (for example, rocks, cohesive or non-cohesive soil);
- environmental considerations (for example, accessibility and space constraints);
- speed of work;
- loading conditions (for example, compression or tension pile); and
- layout of the structure.

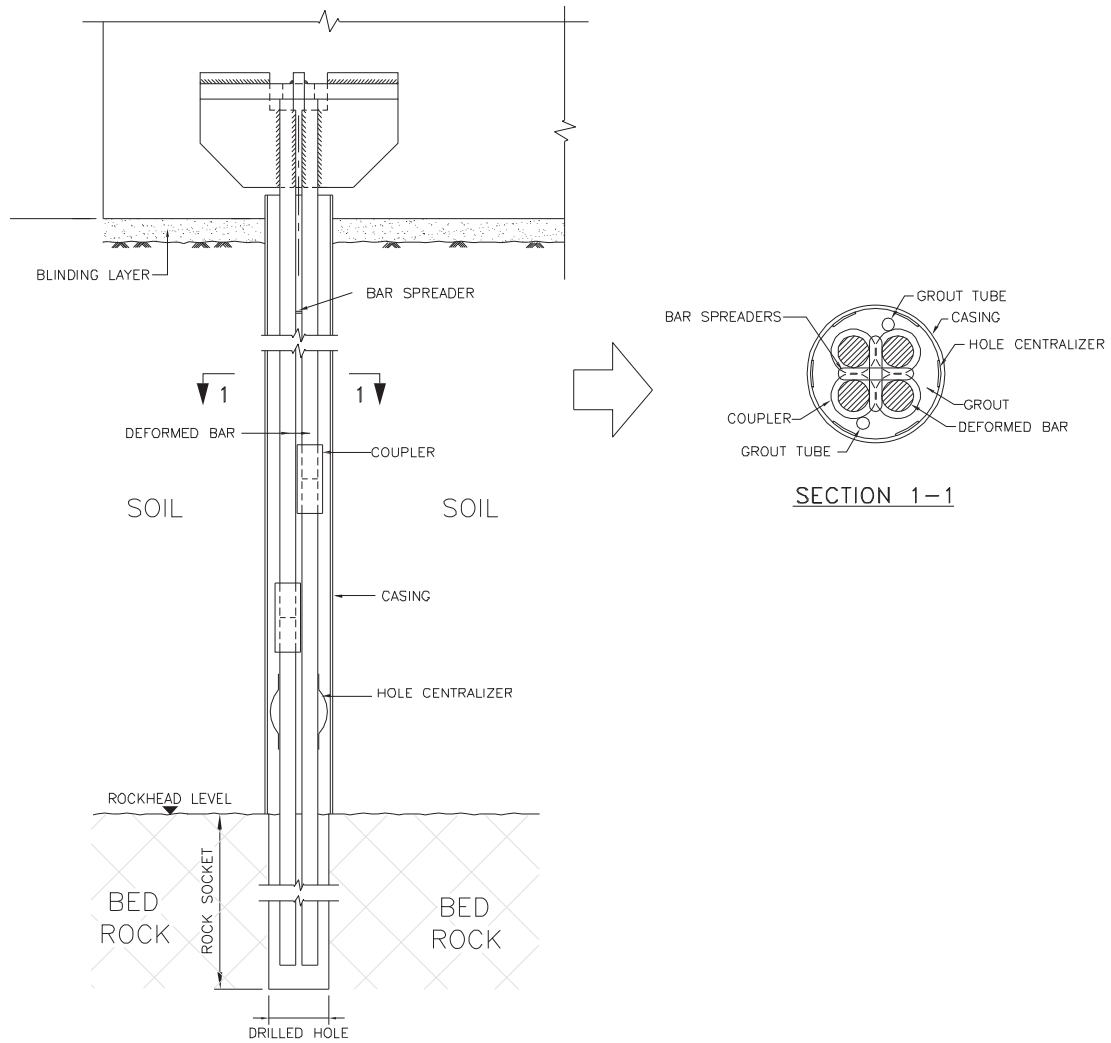
The following diagrams illustrate the general structures of H-pile and mini pile:



H-pile



**Mini pile**



**Uses of our piles**

Our piles can be used for providing lateral support for excavation work, constructing piled foundation and underpinning.

*Lateral support for excavation work*

Soldier pile (using H-pile) and pipe pile (using steel casing) are earth retention techniques, involving the construction of retaining walls using cast-in-situ steel H-pile or steel casing. They are often used in deep excavations (such as cofferdam, pile caps and basement construction). Typically, cast-in-situ steel piles are installed at regular intervals along the planned excavation perimeter. The scope of soldier pile and pipe pile retaining walls construction works provided by our Group would also include the construction of a grout curtain behind such walls.

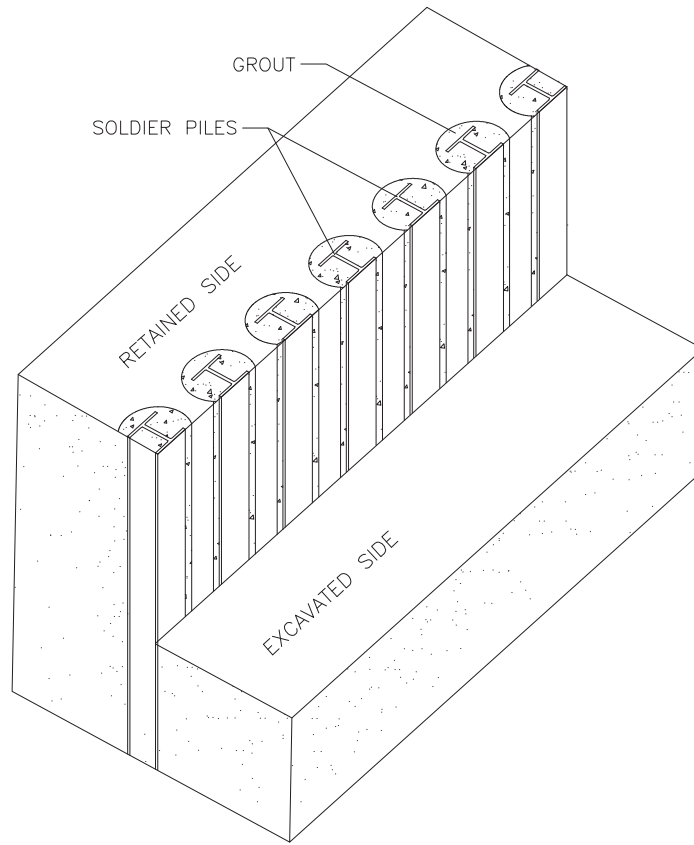
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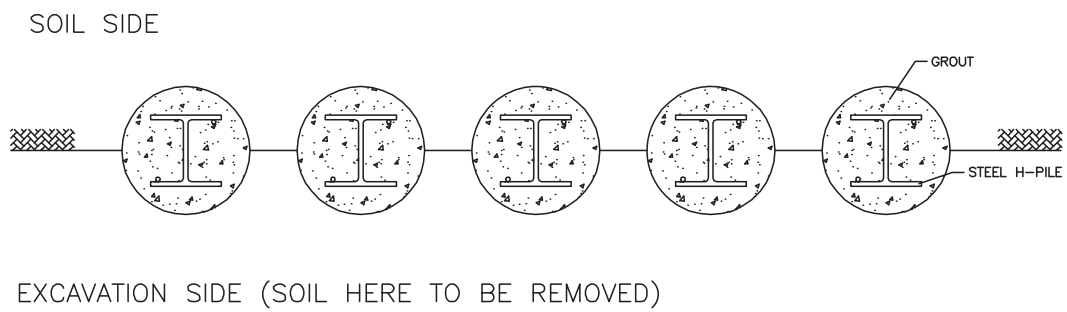
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The following diagrams illustrate soldier pile and pipe pile:

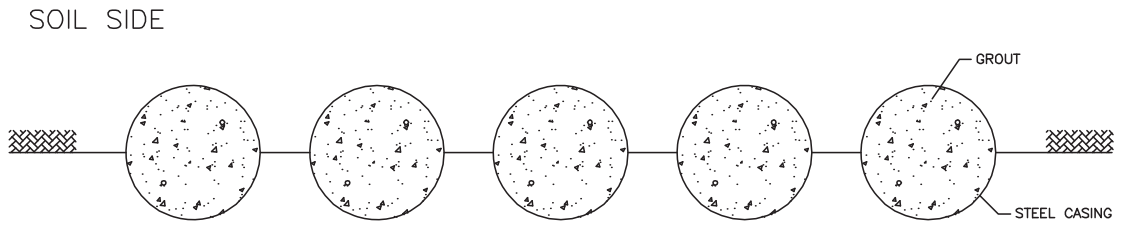
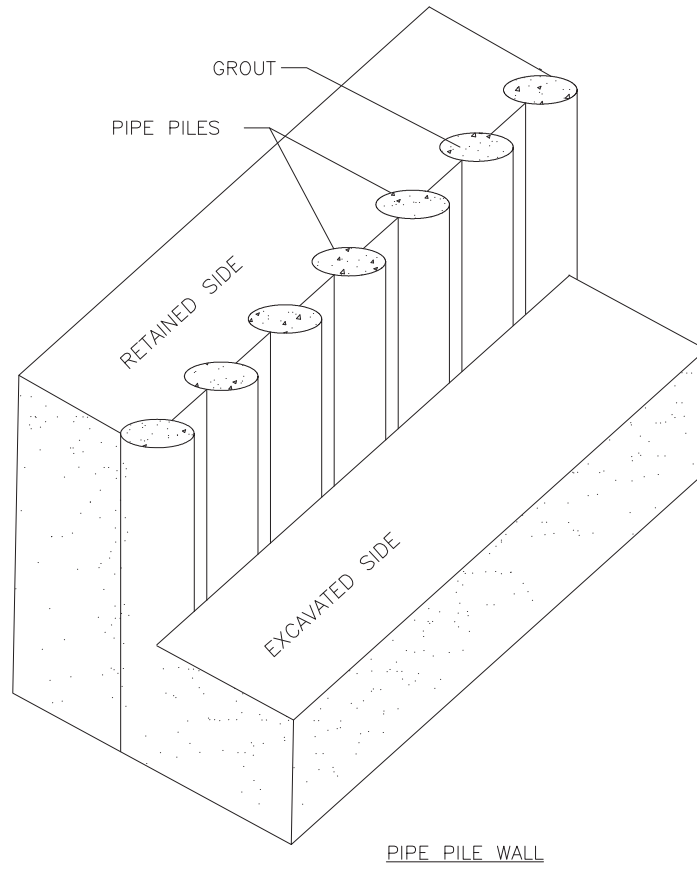
## Soldier pile



SOLDIER PILE WALL



Pipe pile



EXCAVATION SIDE (SOIL HERE TO BE REMOVED)

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### *Piled foundation*

As our socketed H-pile and mini pile can provide good support for vertical loads from superstructures and resistance to lateral wind loads, they are often used for constructing piled foundation for high-rise buildings.

### *Underpinning*

Our socketed mini piles can be used for underpinning for bridges, highway, over pass or unstable structures by providing vertical and lateral loads resistance, it is particularly suitable in certain restrained conditions such as limited space or low headroom conditions.

### **Ground investigation field works**

For new construction works, the objectives of ground investigation are to obtain reliable information to produce an economic and safe design and to meet tender and construction requirements. In Hong Kong, because of intense urban development, it is often necessary to investigate the effects of new works on the safety of existing features and works. In general, ground investigation field works are carried out by taking samples of soil and/or rock from various spots and at various depths on the site. Laboratory testing will be carried out by our subcontractors against the samples collected and a ground investigation report will be produced.

### **Our projects**

During the Track Record Period and up to the Latest Practicable Date, we completed 87 and 59 projects of foundation works and ground investigation field works, respectively.

As at the Latest Practicable Date, we had 31 and 16 on-going projects (either in progress or yet to commence) of foundation works and ground investigation field works, respectively, and the total outstanding contract sum of the same was approximately HK\$417.2 million and HK\$20.3 million, respectively. Approximately HK\$366.8 million and HK\$50.4 million of foundation works are expected to be completed before the financial year ending 31 March 2016 and 2017 respectively and all of the ground investigation work is expected to be completed before the financial year ending 31 March 2016.

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The following table summarises our foundation works projects with recognised revenue of more than HK\$13 million *(Note 1)* to us for the year ended 31 March 2013 in descending order:

Rank	Project	Type of customer and project nature	Our principal scope of works	Amount of revenue recognised for the year ended 31 March 2013 <i>HK\$'000</i>	% of our total revenue for the year ended 31 March 2013
1	F4	Customer B, being the contractor for the foundation works of a private residential development project	Socketed H-pile (pre-boring works only)	49,466	19.4%
2	F2	Customer C, being the contractor for the foundation works of a private residential development project	Soldier pile, pipe pile and socketed H-pile	31,115	12.2%
3	F1	Customer G, being the contractor for the foundation works of a MTR development project	Socketed H-pile, mini pile and pipe pile	24,347	9.5%
4	F3	Customer F, being the contractor for the foundation works of a private residential development project	Pipe pile	20,474	8.0%
5	F5	Customer A, being the contractor for the foundation works of a MTR development project	Socketed H-pile	14,876	5.8%

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The following table summarises our foundation works projects with recognised revenue of more than HK\$13 million *(Note 1)* to us for the year ended 31 March 2014 in descending order:

Rank	Project	Type of customer and project nature	Our principal scope of works	Amount of revenue recognised for the year ended 31 March 2014 <i>HK\$'000</i>	% of our total revenue for the year ended 31 March 2014
1	F5	As above	As above	119,319	36.7%
2	F4	As above	As above	64,843	19.9%
3	F7	Customer C, being the contractor for the foundation works of a private residential development projects	Socketed H-pile	26,141	8.0%
4	F6	Customer E, being the contractor for the foundation works of a public residential development project	Mini pile and socketed H-pile	18,575	5.7%

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## BUSINESS

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The following table summarises our foundation works projects with recognised revenue of more than HK\$13 million *(Note 1)* to us for the year ended 31 March 2015 in descending order:

Rank	Project	Type of customer and project nature	Our principal scope of works	Amount of revenue recognised for the year ended 31 March 2015 <i>HK\$'000</i>	% of our total revenue for the year ended 31 March 2015
1	F9	Customer G, being the contractor for the foundation works of a MTR development project	Pipe pile wall, pumping test, grout curtain	57,102	14.0%
2	F5	As above	As above	51,729	12.7%
3	F8	Customer J, being the contractor for the foundation works of a private comprehensive development project	Socketed H-pile and king post	42,249	10.4%
4	F12	Customer H, being the contractor for the foundation works of a public rental housing development project	Pipe pile	33,839	8.3%
5	F13	Customer C, being the contractor for the foundation works of a commercial building development project	Solider pile, king post, mini pile, grouting and pumping test	27,192	6.7%



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**BUSINESS**

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Rank	Project	Type of customer and project nature	Our principal scope of works	Amount of revenue recognised for the year ended 31 March 2015 <i>HK\$'000</i>	% of our total revenue for the year ended 31 March 2015
6	F11	Contractor for the foundation works of a public infrastructure development project	Socketed H-pile	23,554	5.8%
7	F10	Customer C, being the contractor for the foundation works of a private residential development project	Pipe pile, soldier pile, mini pile and socketed H-pile	15,294	3.7%

*Note:*

- The HK\$13 million threshold has been set so that the aggregate revenue of significant projects for each of the three years ended 31 March 2015 constitutes not less than 50% of our total revenue for each year. Aggregate revenue from foundation works projects with recognised revenue of not less than HK\$13 million for each of the three years ended 31 March 2015, represented approximately 55.0%, 70.3% and 61.5%, respectively of our total revenue. Please refer to “Financial Information – Gross Profit” section for a summary of the gross profit margins for foundation works projects with recognised revenue of not less than HK\$13 million and those less than HK\$13 million.

The following table summarises our ground investigation field works projects with recognised revenue of more than HK\$5 million to us for the year ended 31 March 2013 in descending order:

Rank	Project	Type of customer and project nature	Amount of revenue recognised for the year ended 31 March 2013 <i>HK\$'000</i>	% of our total revenue for the year ended 31 March 2013
1	GI1	Customer D’s term contract for ground investigation field works from 2011 to 2013	27,307	10.7%

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## BUSINESS

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The following table summarises our ground investigation field works projects with recognised revenue of more than HK\$5 million to us for the year ended 31 March 2014 in descending order:

Rank	Project	Type of customer and project nature	Amount of revenue recognised for the year ended 31 March 2014 <i>HK\$'000</i>	% of our total revenue for the year ended 31 March 2014
1	GI1	As above	20,957	6.4%
2	GI2	Customer D's term contract for ground investigation field works from 2013 to 2015	7,842	2.4%

The following table summarises our ground investigation field works projects with the recognised revenue of more than HK\$5 million to us for the year ended 31 March 2015 in descending order:

Rank	Project	Type of customer and project nature	Amount of revenue recognised for the year ended 31 March 2015 <i>HK\$'000</i>	% of our total revenue for the year ended 31 March 2015
1	GI2	As above	25,135	6.2%

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## BUSINESS

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As at the Latest Practicable Date, we had 31 and 16 on-going projects (either in progress or yet to commence) of foundation works and ground investigation field works, respectively, details of which are set out in descending order by contract sum as follows:

*For foundation works*

Rank	Type of customer and project nature	Our principal scope of works	Expected completion date	Accumulated		
				Contract sum <small>(Note 1)</small> (HK\$'000)	revenue recognised as at the Latest Practicable Date (HK\$'000)	Outstanding contract sum as at the Latest Practicable Date <small>(Note 2)</small> (HK\$'000)
1	F5	As above	December 2015	248,686	193,896	54,790
2	Customer C, being the contractor for the foundation works of a public resort development project	Pipe pile, grouting curtain, king post, pumping test and socketed H-pile	May 2016	124,665	12,775	111,890
3	F9	As above	April 2016	98,039	77,697	20,342
4	Customer B, being the contractor for the foundation works of a public rental housing development project	Pipe pile, grouting curtain and pumping test	December 2015	43,826	4,243	39,583
5	F12	As above	August 2015	43,167	33,839	9,328
6	Customer C, being the contractor for the foundation works of a commercial building development project	Soldier pile, king post, mini pile, grouting and pumping test	December 2015	37,922	27,920	10,002

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**BUSINESS**

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Rank	Type of customer and project nature	Our principal scope of works	Expected completion date	Contract sum <sup>(Note 1)</sup> (HK\$'000)	Accumulated	Outstanding
					revenue recognised as at the Latest Practicable Date (HK\$'000)	contract sum as at the Latest Practicable Date <sup>(Note 2)</sup> (HK\$'000)
7	F11	As above	August 2015	37,826	27,132	10,694
8	F6	As above	August 2015	33,147	28,321	4,826
9	Customer C, being the contractor for the foundation works of a private residential development project	Socketed H-pile	August 2016	25,200	–	25,200
10	Customer C, being the contractor for the foundation works of a private residential development project	Soldier pile works	March 2016	22,658	–	22,658
11	Contractor for the foundation works of a public facility development project	Mini pile, pipe pile	May 2016	20,715	–	20,715
12	Contractor for the foundation works of a private residential development project	Pipe pile, king post and grouting	January 2016	16,168	–	16,168

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**BUSINESS**

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Rank	Type of customer and project nature	Our principal scope of works	Expected completion date	Contract sum <small>(Note 1)</small> <i>(HK\$'000)</i>	Accumulated	Outstanding
					revenue recognised as at the Latest Practicable Date <i>(HK\$'000)</i>	contract sum as at the Latest Practicable Date <small>(Note 2)</small> <i>(HK\$'000)</i>
13	Contractor for the foundation works of a private residential development project	King post, socketed H-pile and pipe pile	January 2016	15,267	–	15,267
14	Contractor for the foundation works of a public utility development project	Mini pile	April 2016	14,126	2,759	11,367
15	Contractor for the foundation works of a public utility development project	Mini pile	December 2015	11,977	1,486	10,491
16	Customer C, being the contractor for the foundation works of a private residential development project	Soldier pile works	August 2015	11,172	10,024	1,148
17	Customer B, Contractor for the foundation works of a private residential development project	Socketed H-pile, pipe pile, pumping test and king post	November 2015	10,606	4,785	5,821

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**BUSINESS**

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Rank	Type of customer and project nature	Our principal scope of works	Expected completion date	Accumulated revenue		
				Contract sum <sup>(Note 1)</sup> (HK\$'000)	Practicable Date (HK\$'000)	Outstanding contract sum as at the Latest Practicable Date <sup>(Note 2)</sup> (HK\$'000)
18	Contractor for the foundation works of a MTR development project	Socketed H-pile	August 2015	10,136	8,834	1,302
19	Contractor for the foundation works of a MTR development project	Other foundation works projects	September 2015	8,970	7,794	1,176
20	Contractor for the foundation works of a public facility development project	Socketed H-pile	August 2015	7,347	6,586	761
21	Customer H, being the contractor for the foundation works of a public housing development project	Pipe pile	December 2015	5,509	4,806	703
22	Contractor for the foundation works of a public leisure and cultural development project	Pipe pile and grout curtain	September 2015	5,455	3,379	2,076

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**BUSINESS**

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Rank	Type of customer and project nature	Our principal scope of works	Expected completion date	Contract sum <sup>(Note 1)</sup> (HK\$'000)	Accumulated	Outstanding
					revenue recognised as at the Latest Practicable Date (HK\$'000)	contract sum as at the Latest Practicable Date <sup>(Note 2)</sup> (HK\$'000)
23	Customer L, being the contractor for the foundation works of a private residential development project	Pre-bored for sheet pile	October 2015	5,340	449	4,891
24	Customer L, being the contractor for the foundation works of a private residential development project	Pipe pile, grout curtain and pumping test	February 2016	5,112	–	5,112
25	Contractor for the foundation works of a public hospital redevelopment project	Mini pile and pipe pile wall	December 2015	4,382	–	4,382
26	Contractor for the foundation works of a private residential development project	Socketed H-pile	August 2015	3,301	2,197	1,104
27	Contractor for the foundation works of a private residential development project	Solider pile	January 2016	3,132	–	3,132

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**BUSINESS**

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Rank	Type of customer and project nature	Our principal scope of works	Expected completion date	Accumulated revenue		
				Contract sum <sup>(Note 1)</sup> (HK\$'000)	Practicable Date (HK\$'000)	Outstanding contract sum as at the Latest Practicable Date <sup>(Note 2)</sup> (HK\$'000)
28	Contractor for the foundation works of a private residential development project	Pipe pile	September 2015	1,460	1,121	339
29	Contractor for the foundation works of a public residential development project	Pipe pile	December 2015	1,433	–	1,433
30	Customer F, Contractor for the foundation works of a private residential development project	Pipe pile	August 2015	660	491	169
31	Customer E, Contractor for the foundation works of a private residential development project	Pipe pile	August 2015	338	–	338
Total:				877,742	460,534	417,208

*Notes:*

- The contract sum is based on the initial tender or quotation between our customer and us.
- Outstanding contract sum as at the Latest Practicable Date = contract sum – accumulated revenue recognised as at the Latest Practicable Date.



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**BUSINESS**

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*For ground investigation field works*

Rank	Type of customer and project nature	Expected completion date	Contract sum <small>(Note 1)</small> <i>(HK\$'000)</i>	Accumulated revenue recognised as at the Latest Practicable Date <i>(HK\$'000)</i>	Outstanding contract sum as at the Latest Practicable Date <small>(Note 2)</small> <i>(HK\$'000)</i>
1	GI2	November 2015	44,889	35,399	9,490
2	Association of cemeteries for a development project	August 2015	3,867	2,307	1,560
3	Developer for a private residential development project	August 2015	2,322	2,141	181
4	Developer for a public development project	August 2015	1,883	1,395	488
5	Airport development project	August 2015	1,746	–	1,746
6	Developer for a private residential development project	September 2015	1,513	–	1,513
7	Developer for a private residential development project	August 2015	1,387	1,102	285
8	Public transportation facility development project	August 2015	1,343	–	1,343
9	Developer for a private residential development project	August 2015	803	–	803
10	Public utility facility development project	August 2015	750	–	750

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**BUSINESS**

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Rank	Type of customer and project nature	Expected completion date	Contract sum <small>(Note 1)</small> <i>(HK\$'000)</i>	Accumulated revenue recognised as at the Latest Practicable Date <i>(HK\$'000)</i>	Outstanding contract sum as at the Latest Practicable Date <small>(Note 2)</small> <i>(HK\$'000)</i>
11	Youth association for a recreation centre development project	November 2015	520	–	520
12	Government department	August 2015	453	–	453
13	Public hospital for a development project	August 2015	330	–	330
14	Developer for a private residential development project	July 2015	322	–	322
15	Developer for a private residential development project	August 2015	279	–	279
16	Public hospital development project	September 2015	224	–	224
Total:			<u>62,631</u>	<u>42,344</u>	<u>20,287</u>

*Notes:*

1. The contract sum is based on the initial tender or quotation between our customer and us.
2. Outstanding contract sum as at the Latest Practicable Date = contract sum – accumulated revenue recognised as at the Latest Practicable Date.

To the best knowledge of our Directors, our customers would most likely request more than one contractor to submit quotation in order to engage contractors (of any tiers) who can provide quality service with competitive price. There is no assurance that our customers will award us projects for every quotation 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 contract, such contract 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 contract is awarded to us, we may face a downward pressure on our gross profit margin.

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In view of the aforesaid, we adopt a pro-active mode in our projects procurement strategy. Our executive Directors explore and utilise every opportunity to secure new projects for our Group. Our Directors confirm that for every invitation to submit quotation we received during the Track Record Period, whether or not the invitation was from customer with any business relationship with us, we generally submitted our quotations.

For each of the three years ended 31 March 2015, based on our internal records, we submitted 342, 374 and 318 quotations for foundation works projects (excluding the quotations in relation to variation orders and supplemental orders), respectively. Among these quotations submitted, we were awarded 25, 17 and 20 projects for the same periods, respectively. As such, the success rates for the same periods were approximately 7.3%, 4.5% and 6.3%, respectively.

For each of the three years ended 31 March 2015, based on our internal records, we submitted 50, 44 and 64 quotations for ground investigation field works projects (excluding the quotations in relation to variation orders and supplemental orders), respectively. Among these quotations submitted, we were awarded 8, 8 and 26 projects for the same periods, respectively. As such, the success rates for the same periods were approximately 16.0%, 18.2% and 40.6%, respectively.

Save and except the master agreement of ground investigation field works projects GI1 and GI2 with Customer D, the quotations of which were submitted by public tender, all the aforesaid quotations were submitted due to direct request by our customers during the Track Record Period.

Our executive Directors are responsible for preparing the quotations and they generally spend around 1 to 3 days to complete the quotations. As such, they consider that the cost attributable to quotation preparation is insignificant to our Group taken as a whole. Our executive Directors consider that such strategy would facilitate to maintain customers' relationship and increase our opportunity to work with new customers.

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We undertake projects in both public and private sectors. The following table sets out the proportion of our projects in both public and private sectors in terms of revenue recognised during the Track Record Period, revenue recognised after the Track Record Period and up to the Latest Practicable Date, and outstanding awarded contract sum as at the Latest Practicable Date:

	Revenue recognised for the year ended 31 March 2013 <i>(HK\$ million)</i>	Revenue recognised for the year ended 31 March 2014 <i>(HK\$ million)</i>	Revenue recognised for the year ended 31 March 2015 <i>(HK\$ million)</i>	Revenue recognised after the Track Record Period and up to the Latest Practicable Date <i>(HK\$ million)</i>
<i>For foundation works</i>				
Public sector	72.2	171.3	218.8	61.8
Private sector	149.4	119.7	144.3	9.5
Total:	221.6	291.0	363.1	71.3
	Revenue recognised for the year ended 31 March 2013 <i>(HK\$ million)</i>	Revenue recognised for the year ended 31 March 2014 <i>(HK\$ million)</i>	Revenue recognised for the year ended 31 March 2015 <i>(HK\$ million)</i>	Revenue recognised after the Track Record Period and up to the Latest Practicable Date <i>(HK\$ million)</i>
<i>For ground investigation field works</i>				
Public sector	28.3	29.6	37.3	4.9
Private sector	5.3	4.9	7.8	1.4
Total:	33.6	34.5	45.1	6.3

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Pursuant to the table above, for each of the two years ended 31 March 2015, projects in public sector were the principal sources of revenue for our business of foundation works. Among the revenue attributable to our foundation works projects in public sector during the Track Record Period, there were approximately 88.1%, 77.3% and 60.7% of our revenue attributable to MTR development projects for the same periods (including but not limited to, foundation works projects F1, F5 and F9), respectively. The increase of revenue in public foundation works from approximately HK\$72.2 million in 2013 to approximately HK\$171.3 million in 2014 was mainly attributable to the MTR development project F5, the revenue of which was increased from approximately HK\$14,876,000 for the year ended 31 March 2013 to approximately HK\$119,319,000 for the year ended 31 March 2014. As to our business of ground investigation field works, projects in public sector were the principal sources of revenue during the Track Record Period which was attributable to ground investigation field works projects GI1 and GI2. Upon expiry of ground investigation field works project GI1 in November 2013, we entered into ground investigation field works project GI2, which will expire in November 2015.

Our project cycle ranges from two months to three years (excluding the defect liability period). As to seasonality, our Directors consider that the work progress of our projects would generally be affected during the rainy and typhoon seasons in Hong Kong in around June, July and August of the year while there is no seasonal fluctuation in receiving tenders or requests for quotations from our customers.

### **Project in Macau**

During the Track Record Period, we had one project located in Macau, which was a hotel development project in Macau. Wan Kei (Macau) was the party executing the relevant contract and acted as a subcontractor. Wan Kei (Macau)'s customer, being the contractor of such project, and Customer F were fellow subsidiaries wholly-owned by a listed company in Hong Kong.

The workers went from Hong Kong to Macau to carry out such project. The machinery and equipment used in such project located in Macau were leased by Wan Kei Machinery to Wan Kei (Macau). The machinery and equipment were delivered from Hong Kong to Macau. Cement and diesel fuel used in such project were procured in Macau locally by Wan Kei (Macau). Steel used in such project was procured by Wan Kei Engineering in Hong Kong, and then sold and delivered to Wan Kei (Macau). As advised by our legal advisers as to Macau law, as long as its main contractor in Macau possesses the required permits and licenses for the foundation works in Macau, Wan Kei (Macau) does not need to possess any permits and licenses for its operations as a subcontractor for the foundation works in Macau except the business registration.

As at the Latest Practicable Date, such project in Macau had already been completed and we did not have any new project in Macau. As confirmed by our Directors, our Group has no plan to expand the business in Macau and Wan Kei (Macau) will have new projects only when our customer engages us as the subcontractor for any new projects in Macau.

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### SALES AND MARKETING

During the Track Record Period, our projects were awarded by way of tenders invited or quotations requested by our customers directly. We generally adopt a flexible pricing strategy for our foundation works and ground investigation field works. For details, please refer to the paragraph headed “Business – Business Model and Our Operation” in this prospectus.

Our Directors consider that our relationship with our customers, expertise, reputation in the industry and past project references are our valuable assets to secure future projects. Our executive Directors are generally responsible for maintaining our customers’ relationship, and keeping abreast of market developments and potential business opportunities.

As to our marketing activities, we display the names and logos of Wan Kei Engineering in our machinery 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.

Further, our Directors consider that our qualifications including registered specialist contractor for foundation works and ground investigation field works are public information and can be inspected in web sites including the Buildings Department, and therefore could enhance our professional profile in the foundation industry. Moreover, we believe that the Listing will be a breakthrough in promoting our Group to the general public, thus further enhancing our brand and future business development.

### OUR CUSTOMERS

For foundation works, our customers are generally main contractors of construction projects in Hong Kong. For ground investigation field works, our customers are generally employers of construction projects in Hong Kong.

For each of the three years ended 31 March 2015, our top five customers were Independent Third Parties, and total revenue attributable to them amounted to approximately HK\$185.4 million, HK\$271.3 million and HK\$268.0 million, representing approximately 72.7%, 83.3% and 65.8% of our total revenue, respectively. During the same period, total revenue attributable to our largest customer amounted to approximately HK\$54.5 million, HK\$119.3 million and HK\$64.3 million, representing approximately 21.4%, 36.7% and 15.8% 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 four tables set forth the details of our top five customers during the Track Record Period:

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## BUSINESS

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### Year ended 31 March 2013

Customer	Background	Approximate % of our total revenue	Length of business relationship with our Group as at the Latest Practicable Date
Customer B	Construction contractor; subsidiary of a public company listed in Hong Kong	21.4%	since 2005
Customer F	Construction contractor; subsidiary of a public company listed in Hong Kong	18.9%	since 1996
Customer C	Construction contractor; subsidiary of a public company listed in Hong Kong	12.2%	since 2008
Customer D	Government department	10.7%	since 1997
Customer G	Construction contractor; subsidiary of a company listed in Australia	9.5%	since 2011

### Year ended 31 March 2014

Customer	Background	Approximate % of our total revenue	Length of business relationship with our Group as at the Latest Practicable Date
Customer A	Construction contractor; joint venture of a public company listed in Hong Kong and a company listed in South Korea	36.7%	since 2012
Customer B	Construction contractor; subsidiary of a public company listed in Hong Kong	20.1%	since 2005
Customer C	Construction contractor; subsidiary of a public company listed in Hong Kong	9.9%	since 2008
Customer D	Government department	8.8%	since 1997
Customer E	Construction contractor; subsidiary of a public company listed in Hong Kong	7.8%	since 2005

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## BUSINESS

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Year ended 31 March 2015

<b>Customer</b>	<b>Background</b>	<b>Approximate % of our total revenue</b>	<b>Length of business relationship with our Group as at the Latest Practicable Date</b>
Customer G	Construction contractor; subsidiary of a company listed in Australia	15.8%	since 2011
Customer C	Construction contractor; subsidiary of a public company listed in Hong Kong	14.1%	since 2008
Customer H	Construction contractor; subsidiary of a public company listed in Hong Kong	12.8%	since 2008
Customer A	Construction contractor; joint venture of a public company listed in Hong Kong and a company listed in South Korea	12.7%	since 2012
Customer J	Construction contractor	10.4%	since 2013



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## BUSINESS

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### Major terms of our contracts

From time to time, we receive requests for quotations and invitations to tender from our customers. In general, projects are awarded to us on a case-by-case basis and are non-recurring in nature. Save and except the master agreements of ground investigation field works projects GI1 and GI2, we did not enter into any other long-term contracts with any of our customers during the Track Record Period and up to the Latest Practicable Date. The contracts we entered into with our customers vary from project to project, and were generally based on the standard forms provided by our customers subject to further negotiations by the parties on the particular terms therein. The major terms of our contracts of foundation works and ground investigation field works are similar (except the major terms of the master agreements of ground investigation field works projects GI1 and GI2), and can be summarised below:

<b>Major contract terms</b>	<b>Description</b>
Project information	Project information includes a description of the construction site together with the particular type of work to be performed and the contract sum.
Bills of quantity	Description of the type of work and the specification of the works together with the party responsible for that particular type of work (the quotation document generally stipulates that some types of works are to be done by the main contractor i.e. our customer), the quantity and the unit price.
Contract period	The period within which the project has to be completed depends on a wide range of factors. For details, please refer to the paragraph headed “Business – Business Model and Our Operation – Project implementation – Duration of our foundation works projects” in this prospectus.
Types and scope of works	For foundation works, our services mainly consist of the construction of socketed H-piles, mini piles, soldier piles, pipe piles and king posts. Apart from foundation works, we also provide ground investigation field works to our customers.

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## BUSINESS

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Terms of payment	We generally provide our customers with, on a monthly basis, a written statement of the value of all works properly done under the contract. We also generally submit our final account together with our application for the last instalment of progress payment for our customers' review. Please also refer to the paragraph headed "Business – Business Model and Our Operation – Project implementation – Progress payment" in this prospectus.
Liquidated damages	If we fail to complete the contract works within the due date, we may, subject to the rights for time extension, be required to compensate our customers according to certain damages calculating mechanism as stipulated under the contracts.
Defect liability period	We are required to remain responsible for remedying any defects or imperfections discovered in relation to our works done for certain period after completion of our contract work. Please also refer to the paragraph headed "Business – Business Model and Our Operation – Defect liability period" in this prospectus.
Retention monies	Our customers are usually entitled to withhold approximately 5% to 10% of each progress payment due to us as retention monies, but the total amount of retention monies shall not exceed approximately 5% of the total sum of the contracts. Please also refer to the paragraph headed "Business – Business Model and Our Operation – Completion and retention monies" in this prospectus.

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## BUSINESS

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Insurance

For ground investigation field works, we are generally engaged as the main contractor and obliged to maintain insurance policy to cover accidents and injuries happened in the relevant work site. For foundation works, the accidents and injuries of our employees and the employees of our sub-subcontractors in the work site are covered by the insurance policy maintained by the main contractor or employer of the construction project. As to our machinery in the work site, we are required to maintain our own insurance policy. Please also refer to the paragraph headed “Business – Insurance” in this prospectus.

As at the Latest Practicable Date, Chung Shun possessed the confirmed status in the Housing Authority List of Ground Investigation Contractors because of the ground investigation field works project GI2 with Customer D. The major terms of the master agreements of ground investigation field works projects GI1 and GI2 with Customer D are summarised below:

	<b>GI1</b>	<b>GI2</b> <i>(Note 1)</i>
Commencement date	24 October 2011	8 November 2013
Expiry date	23 October 2013	7 November 2015
Work order	Chung Shun is to execute, complete and maintain any works ordered by the chief geotechnical engineer/1 of the development and construction division of Customer D (“Contract Manager”) during the contract period, in conformity with the certain drawings, specifications and other requirements, for such sums as calculated at the rates as stated in the schedule of rates under the contract or such rates as may be ascertained in accordance with certain conditions of the contract.	
Liquidated damages for delay	Chung Shun is liable to liquidated damages for delays for any works a sum equal to ten per cent of the estimated value of such works previously determined by the Contract Manager divided by the days required for completion prescribed for such works subject to extension of time granted by the Contract Manager.	
Orders for variation	Any variation or order in writing for different work, service or material as considered necessary by the Contract Manager must be complied with by Chung Shun.	

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## BUSINESS

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Settlement of disputes	<p>Any dispute between the parties arising out of the contract or the carrying out of the works shall be decided by the Contract Manager within 60 days of receiving a notice of dispute.</p> <p>Either party may also refer the dispute to mediation or arbitration within 28 days of the Contract Manager's decision.</p> <p>Such decisions shall be final and binding on the parties unless mutually agreed by the parties or revised by an arbitrator.</p>
Payment on certification	<p>Customer D shall within 21 days of the Contract Manager's due certification pay to Chung Shun a sum which is certified as due by the Contract Manager.</p>
Sub-letting	<p>Prior written approval from the Contract Manager is required for sub-letting the whole or any part of the works.</p>
Fluctuation in wages rates and costs of fuel	<p>No adjustments would be made for any fluctuations in wages rates or fuel prices or any other costs during the first 12 months from the commencement of the contract period. Thereafter, adjustments (increase or decrease) to the rates may be made in accordance to a mechanism specified in the contract.</p>
Termination	<p>The contract may be terminated by Customer D at any time after 12 months from the commencement date of the contract by serving at least three months' prior notice.</p>
Defect liability period	<p>During the defect liability period of 30 days or within 14 days after its expiration, Chung Shun may be required to carry out maintenance work to remedy any defects or imperfections identified in relation to its works done during the defect liability period.</p>
Third party insurance	<p>Chung Shun, as a main contractor, shall before the commencement of the contract period procure an insurance policy against any damage, loss or injury to any property, any person by or arising out of or in consequence of the execution of the works.</p>
	<p style="text-align: center;"><b>GI1</b> <span style="float: right;"><b>GI2</b> <i>(Note 1)</i></span></p>
On-demand bond <i>(Note 2)</i>	<p>Chung Shun is required to procure an on-demand bond in favour of Customer D in the sum of HK\$1,877,511.00, approved in writing by the same.</p> <p>Chung Shun is required to procure an on-demand bond in favour of Customer D in the sum of HK\$2,244,444.40, approved in writing by the same.</p>

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## BUSINESS

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*Notes:*

1. On 2 November 2013, Customer D issued to Chung Shun the letter of acceptance regarding the ground investigation field works project GI2. Nevertheless, as at the Latest Practicable Date, the articles of agreement of ground investigation field works project GI2 had not been executed and was in the course of execution arrangement.
2. The two on-demand bonds at HK\$1,877,511.00 and HK\$2,244,444.40 in favour of Customer D were covered by the insurance policy of Chung Shun.

Our customers generally settle the payment by cheque. For discussion of our trade debtors progress billing days during the Track Record Period, please refer to the paragraph headed “Financial Information – Net Current Assets – Trade and other receivables” in this prospectus.

Our Directors confirmed that we had stable long-term relationships with our customers and had no material dispute with our customers in respect of the projects awarded to us during the Track Record Period.

### **OUR SUPPLIERS**

Our suppliers include sub-subcontractors of foundation works in Hong Kong, lessors of machinery and local distributors of diesel fuel, steel and cement. Most of our construction materials and diesel fuel are sourced from our suppliers in Hong Kong.

For each of the three years ended 31 March 2015, our top five suppliers were Independent Third Parties, and our total purchase attributable to them amounted to approximately HK\$55.9 million, HK\$74.2 million and HK\$82.9 million, representing approximately 41.2%, 40.4% and 40.7% of our total purchase, respectively. During the same period, our total purchase attributable to our largest supplier amounted to approximately HK\$17.4 million, HK\$25.3 million and HK\$23.8 million, representing approximately 12.8%, 13.8% and 11.7% of our total purchase, respectively. 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 that (i) as at the Latest Practicable Date, Supplier H and Customer B were fellow subsidiaries wholly-owned by a listed company in Hong Kong; (ii) Customer L/Supplier I was also our customer during the Track Record Period; (iii) we had contra-charge arrangement with some of our customers during the Track Record Period; and (iv) some of our sub-subcontractors may lease our machinery and equipment, our suppliers engaged by us are not our major customers, nor vice versa.

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

### Year ended 31 March 2013

Supplier	Background	Approximate % of our total purchase	Length of business relationship with our Group as at the Latest Practicable Date
Supplier A	Diesel fuel supplier	12.8%	since 2001
Supplier F	Steel materials supplier	7.5%	since 1998
Supplier C	Lessor and supplier of construction machinery	7.2%	since 2000
Supplier G	Steel materials supplier	7.0%	since 2010
Supplier D	Mechanical parts supplier	6.7%	since 2008

### Year ended 31 March 2014

Supplier	Background	Approximate % of our total purchase	Length of business relationship with our Group as at the Latest Practicable Date
Supplier A	Diesel fuel supplier	13.8%	since 2001
Supplier B	Cement supplier	7.8%	since 2005
Supplier C	Lessor and supplier of construction machinery	6.6%	since 2000
Supplier D	Mechanical parts supplier	6.5%	since 2008
Supplier E	Sub-subcontractor	5.7%	since 2011

### Year ended 31 March 2015

Supplier	Background	Approximate % of our total costs of sales	Length of business relationship with our Group as at the Latest Practicable Date
Supplier F	Steel materials supplier	11.7%	since 1998
Supplier A	Diesel fuel supplier	9.3%	since 2001
Supplier B	Cement supplier	7.3%	since 2005
Supplier M	Transportation	6.9%	since 1999
Customer L/Supplier I	Sub-subcontractor	5.5%	since 2011

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Supplier H and Customer B, which were one of our suppliers and one of our top five customers during the Track Record Period respectively, were fellow subsidiaries wholly-owned by a listed company in Hong Kong as at the Latest Practicable Date. For projects with Customer B, we acted as a subcontractor and provided our foundation works to Customer B. For each of the three years ended 31 March 2015, the revenue attributable to Customer B amounted to approximately HK\$54.5 million, HK\$65.4 million and HK\$13.8 million, representing approximately 21.4%, 20.1% and 3.4% of our total revenue respectively. Depending on our internal resources level, cost effectiveness and level of works complexity, we engaged Supplier H as a sub-subcontractor for our projects, and our sub-subcontracting costs attributable to Supplier H were approximately HK\$0.1 million, HK\$1.6 million, and nil respectively, representing approximately 0.1%, 0.9% and nil of our total purchase respectively. For the projects with Customer B, the weighted average of the gross profit margin for projects with Customer B was approximately 31.3%, 29.8% and 82.0%, respectively.

Customer L/Supplier I, being one of our top five suppliers for the year ended 31 March 2015, was also our customer during the Track Record Period. During the Track Record Period, we had projects that we were engaged as the subcontractor of Customer L/Supplier I, and projects that we engaged Customer L/Supplier I as our subcontractor. Our Directors considered that we had such arrangement with Customer L/Supplier I generally attributable to our established long-term business relationship with it.

For each of the three years ended 31 March 2015, the revenue attributable to Customer L/Supplier I amounted to approximately HK\$1.3 million, HK\$2.0 million and HK\$1.3 million respectively, representing approximately 0.5%, 0.6% and 0.3% of our total revenue respectively. For the same periods, our sub-subcontracting costs attributable to Customer L/Supplier I were approximately HK\$0.5 million, HK\$3.7 million and HK\$11.2 million respectively, representing approximately 0.4%, 2.0% and 5.5% of our total purchase respectively. The weighted average of the gross profit margin with Customer L/Supplier I was approximately 23.8%, 55.3% and 14.9% for the same periods respectively.

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### **Procurement of construction materials**

The construction materials that we purchased are mainly cement and steel. We do not enter into any long-term supply agreement with our suppliers of construction materials. The price is determined by reference to the quotation as agreed by the parties and delivery date of the construction materials are agreed by the parties on an order-by-order basis.

For each of the three years ended 31 March 2015, our total purchase cost of cement and steel amounted to approximately HK\$30.2 million, HK\$33.3 million and HK\$47.5 million, representing approximately 16.0%, 13.0% and 16.2% of our total direct costs, respectively.

When the market price of the construction materials increases, for the potential projects, we can increase our fee quote to our customers in order to transfer the increased cost pressure to our customers at the time of quotation. Nevertheless, we are not able to do so for the projects in progress because our subcontracts with our customers generally do not have any price adjustment mechanism for market price fluctuation of the construction materials. To minimise such risk, and also to ensure stable supply of construction materials, for contracts undertaken by us as a subcontractor or a sub-subcontractor, if the contract entered into between us and our customer and/or the main contractor so provides, our customer and/or the main contractor may be responsible for purchasing and bearing the cost of certain construction materials, such as steel reinforcement and/or steel H-pile, for us to carry out the subcontracted works concerned, which was so happened in foundation works projects F9. Further, with the support of the Ipsos Report, our Directors consider that the market price of the construction materials during the Track Record Period was relatively stable. As such, our Directors consider that such cost pressure risk is minimal.

Since there are a number of suppliers of construction materials in Hong Kong, our Directors consider that it is feasible to engage alternative suppliers of construction materials for our Group. As such, our Directors consider that we did not overly rely on our suppliers of construction materials.

We generally settle the payment by cheque. 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 subcontracts due to material shortages or delays in supply of construction materials.



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### **Procurement of diesel fuel**

We use diesel fuel to operate our machinery at construction sites. We do not enter into any long-term supply agreement with our diesel fuel supplier. The price is determined by reference to the pre-agreed quotation subject to fluctuations and delivery date of the diesel fuel are agreed by the parties on an order-by-order basis.

For each of the three years ended 31 March 2015, our total purchase cost of diesel fuel amounted to approximately HK\$18.9 million, HK\$24.4 million and HK\$21.1 million, representing approximately 10.0%, 9.5% and 7.2% of our total direct costs, respectively.

When the market price of the diesel fuel increases, for the potential projects, we can increase our fee quote to our customers in order to transfer the increased cost pressure to our customers at the time of quotation. Nevertheless, we are not able to do so for the projects in progress because our subcontracts with our customers generally do not have any price adjustment mechanism for market price fluctuation of the diesel fuel. With the support of the Ipsos Report, our Directors consider that the market price of the diesel fuel during the Track Record Period was relatively stable. As such, our Directors consider that such cost pressure risk is minimal.

Since there are a number of diesel fuel suppliers in Hong Kong, our Directors consider that it is feasible to engage alternative diesel fuel suppliers for our Group. As such, our Directors consider that we did not overly rely on our diesel fuel supplier.

We generally settle the payment by cheque. 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 subcontracts due to material shortages or delays in diesel fuel supply.

### **Contra-charge arrangement with our customers**

During the Track Record Period, we had contra-charge arrangement with some of our customers. Such contra-charge consisted of the purchase cost of diesel fuel and steel, rental cost of machinery and equipment, machinery and equipment testing expense and other miscellaneous expenses in the construction sites. For each of the three years ended 31 March 2015, the total contra-charge to our customers amounted to HK\$2.0 million, HK\$1.2 million and HK\$2.9 million respectively.

Upon our request, we may purchase diesel fuel and steel from our customers and/or the main contractors. Such purchase cost of diesel fuel and steel are settled by way of contra-charge to the account with such customer and/or main contractor, in the sense that the payments due to us from our customer and/or the main contractor will be settled after netting off such purchase cost of diesel fuel and steel. For each of the three years ended 31 March 2015, our contra-charge attributable to such purchase cost of diesel fuel and steel amounted to HK\$1.3 million, HK\$0.4 million and HK\$2.3 million respectively, representing approximately 66.8%, 35.1% and 81.1% of our total contra-charge for the same periods respectively.

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For each of the three years ended 31 March 2015, such contra-charge to our top five customers during the Track Record Period amounted to approximately HK\$1.7 million, HK\$0.7 million and HK\$0.5 million, respectively, representing approximately 85.0%, 58.3% and 15.8% of our total contra-charge for the same periods respectively.

The following table sets forth the information on our top five customers from whom we had contra-charge arrangement during the Track Record Period:

	<b>Year ended 31 March 2013</b>		<b>Year ended 31 March 2014</b>		<b>Year ended 31 March 2015</b>	
	<i>HK\$'000</i>	<i>Approximate %</i>	<i>HK\$'000</i>	<i>Approximate %</i>	<i>HK\$'000</i>	<i>Approximate %</i>
<b>Customer A</b>						
Revenue derived and approximate % of total revenue	14,876	5.8	119,319	36.7	51,729	12.7
Contra-charge and approximate % of total direct costs	–	–	18	0.01	1	0.0004
Weighted average of gross profit margin <small>(Note 1)</small>		15.2		15.2		26.1
<b>Customer B</b>						
Revenue derived and approximate % of total revenue	54,526	21.4	65,428	20.1	13,792	3.4
Contra-charge and approximate % of total direct costs	30	0.02	12	0.005	5	0.002
Weighted average of gross profit margin <small>(Note 1)</small>		31.3		29.8		82.0 <small>(Note 2)</small>
<b>Customer C</b>						
Revenue derived and approximate % of total revenue	31,115	12.2	32,224	9.9	57,496	14.1
Contra-charge and approximate % of total direct costs	112	0.06	163	0.06	228	0.08
Weighted average of gross profit margin <small>(Note 1)</small>		15.6		13.7		13.7

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	Year ended 31 March 2013		Year ended 31 March 2014		Year ended 31 March 2015	
	<i>HK\$'000</i>	<i>Approximate</i> %	<i>HK\$'000</i>	<i>Approximate</i> %	<i>HK\$'000</i>	<i>Approximate</i> %
<b>Customer E</b>						
Revenue derived and approximate % of total revenue	4,208	1.6	25,517	7.8	9,834	2.4
Contra-charge and approximate % of total direct costs	53	0.03	514	0.2	1	0.0005
Weighted average of gross profit margin <small>(Note 1)</small>		18.1		31.7		21.5
<b>Customer F</b>						
Revenue derived and approximate % of total revenue	48,098	18.9	20,783	6.4	10,096	2.5
Contra-charge and approximate % of total direct costs	1,509	0.8	387	0.15	119	0.04
Weighted average of gross profit margin <small>(Note 1)</small>		36.2		22.3		41.4
<b>Customer G</b>						
Revenue derived and approximate % of total revenue	24,347	9.5	4,243	1.3	64,313	15.8
Contra-charge and approximate % of total direct costs	8	0.004	23	0.01	–	–
Weighted average of gross profit margin <small>(Note 1)</small>		23.9		27.4		47.8
<b>Customer H</b>						
Revenue derived and approximate % of total revenue	3,594	1.4	886	0.3	52,194	12.8
Contra-charge and approximate % of total direct costs	24	0.01	–	–	199	0.07
Weighted average of gross profit margin <small>(Note 1)</small>		28.3		62.6		35.9
<b>Customer J</b>						
Revenue derived and approximate % of total revenue	–	–	2,042	0.6	42,249	10.4
Contra-charge and approximate % of total direct costs	–	–	–	–	24	0.008
Weighted average of gross profit margin <small>(Note 1)</small>		–		29.1		25.6

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*Notes:*

1. The weighted average of gross profit margin does not include the cost of depreciation of machinery.
2. The weighted average of gross profit margin at approximately 82.0% was due to the situation that the relevant project had been completed during the year ended 31 March 2014. Therefore, most of the actual cost incurred of such project had been recorded on or before 31 March 2014, resulting in no significant cost incurred upon receiving the last instalment of progress payment for the year ended 31 March 2015.

### **Sub-subcontracting**

Depending on our internal resources level, cost effectiveness and level of works complexity, we may sub-subcontract part of our foundation works, or a particular step, such as drilling, welding and/or grouting, of the entire or certain portions of the foundation works to our sub-subcontractors. We also engaged subcontractors in our ground investigation field works. During the Track Record Period, all our sub-subcontractors were based in Hong Kong. With the support of the Ipsos Report, our Directors confirmed that sub-subcontracting is a common and recognised practice in the foundation industry. Some of our subcontracts with our customers may state that we are entitled to sub-subcontract our works with the consent of our customers. Although some subcontracts do not contain similar terms, we are not prohibited from sub-subcontracting under those subcontracts. For those foundation works projects which we sub-subcontracted out during the Track Record Period, our Directors confirmed that the relevant customers allowed us to do so.

Our sub-subcontracting fee is generally determined based on the estimated costs to be incurred by our sub-subcontractors, mainly including labour cost, costs of construction materials and/or machinery usage cost, plus a certain mark-up margin. The major contract terms with our sub-subcontractors include, among other things: (i) scope of sub-subcontract work; (ii) price or unit price, as the case may be, of the sub-subcontract work; (iii) progress payment; and (iv) retention monies, if any. In general, the duration of our sub-subcontracting and the quality requirements as to the sub-subcontract work are same as those in the subcontracts that we agreed with our customers. We are generally entitled to terminate our sub-subcontracts when our sub-subcontractors materially breach and/or fail to perform their obligations under the sub-subcontracts. Further, our sub-subcontractors generally require us to arrange with the main contractors to ensure the employees' compensation insurance and contractor's all risks insurance cover their employees.

Pursuant to the subcontract with our customers, we generally have to bear responsibilities in respect of the defective works and/or delays in works of our sub-subcontractors. As such, our Directors consider that a stringent selection arrangement of our sub-subcontractors is necessary. We maintain an internally approved list of sub-subcontractors, which will be subject to our regular review based on a number of factors, including but not limited to: (i) previous working relationship with us; (ii) business reputation; (iii) work capacity; (iv) work quality of previous projects; (v) terms of payment and pricing level; and (vi) record of safety and environmental compliance.

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When our executive Directors consider sub-subcontracting would bring economic benefits to us, they will choose the most suitable sub-subcontractor from our internal approved list of sub-subcontractors. 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 sub-subcontractors, we generally try to diversify our sub-subcontracting engagements with our different sub-subcontractors. During the Track Record Period, we engaged approximately 110 sub-subcontractors. For each of the three years ended 31 March 2015, the total cost in engaging our sub-subcontractors amounted to approximately HK\$39.3 million, HK\$53.4 million and HK\$69.7 million, representing approximately 20.8%, 20.8% and 23.7% of our total direct costs, respectively. For the same periods, the cost in engaging our top five sub-subcontractors amounted to approximately HK\$20.6 million, HK\$30.4 million and HK\$40.8 million respectively, representing approximately 52.4%, 56.9% and 58.6% of our total cost in engaging our sub-subcontractors respectively. For the same periods, the cost in engaging our top sub-subcontractor amounted to approximately HK\$8.4 million, HK\$10.4 million and HK\$10.9 million respectively, representing approximately 21.3%, 19.6% and 15.7% of our total cost in engaging our sub-subcontractors respectively.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties or delays in performing our subcontracts due to material difficulties in identifying or engaging the required sub-subcontractors.

For details of the mechanism of payment to our sub-subcontractors, please refer to the paragraphs headed “Business – Business Model and Our Operation – Project implementation – Payment to our suppliers” in this prospectus. We generally settle the payment by cheque.

Our Directors considered that we had stable long-term relationship with our sub-subcontractors and confirmed that we had no material dispute with sub-subcontractors in respect of the projects awarded to them during the Track Record Period.

### **Lease of machinery to our sub-subcontractors**

We may lease our machinery and equipment to our sub-subcontractors upon their requests. During the Track Record Period, there were in total five parties leased our machinery. For each of the three years ended 31 March 2015, our machinery rental income amounted to approximately HK\$107,000, HK\$2,002,522 and HK\$1,060,162 respectively. Among these five parties, one of whom was Wan Kei (Macau) and its contribution to our machinery rental income amounted to approximately nil, HK\$1,567,989 and HK\$1,019,662 for the same periods respectively. Wan Kei (Macau) was acquired by Wan Kei Engineering on 5 December 2014 and became our wholly-owned subsidiary. The remaining four parties were our sub-subcontractors during the Track Record Period and Independent Third Parties.

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Supplier I was one of our top ten suppliers during the Track Record Period. We engaged Supplier I as our sub-subcontractors to provide piling and drilling services for our projects, respectively. Supplier J, Supplier K and Supplier L were our suppliers during the Track Record Period. We engaged Supplier J, Supplier K and Supplier L as our sub-subcontractors to provide drilling and pre-boring services for our projects, respectively. The following table sets forth the information on these four sub-subcontractors who leased our machinery during the Track Record Period:

	Year ended 31 March 2013		Year ended 31 March 2014		Year ended 31 March 2015	
	<i>HK\$'000</i>	<i>Approximate %</i>	<i>HK\$'000</i>	<i>Approximate %</i>	<i>HK\$'000</i>	<i>Approximate %</i>
<b>Supplier I</b>						
Machinery rental income derived and approximate % of other revenue	9	5.3	84	4.1	–	–
Sub-subcontracting cost charged and approximate % of total direct costs	477	0.3	3,728	1.5	11,232	3.8
<b>Supplier J</b>						
Machinery rental income derived and approximate % of other revenue	75	44.3	267	12.9	41	2.4
Sub-subcontracting cost charged and approximate % of total direct costs	1,620	0.9	1,345	0.5	1,996	0.7
<b>Supplier K</b>						
Machinery rental income derived and approximate % of other revenue	23	13.6	–	–	–	–
Sub-subcontracting cost charged and approximate % of total direct costs	116	0.1	299	0.1	3,003	1.0
<b>Supplier L</b>						
Machinery rental income derived and approximate % of other revenue	–	–	84	4.1	–	–
Sub-subcontracting cost charged and approximate % of total direct costs	–	–	4,223	1.6	–	–

**MACHINERY AND EQUIPMENT**

We rely on our machinery and equipment to complete our projects. Our major machinery including air compressors, drilling rigs and crawler cranes, and other equipment such as automatic grouting stations, are mainly manufactured in Japan, Italy, Sweden, Hong Kong, and the PRC. As at 31 March 2015, our major machinery are set out below:



<b>Machinery</b>	<b>Number</b>	<b>Countries of origin</b>	<b>Function and usage</b>
Air compressor	50	Sweden	It converts power (usually from an electric motor, a diesel engine or a gasoline engine) into kinetic energy by compressing and pressurizing air, which, on command, can be released in quick bursts.
Drilling rig for pile size with diameter larger than or equal to 406mm	23	Italy and Japan	It allows the drilling and completion of a usable hole.
Drilling rig for pile size with diameter smaller than or equal to 406mm	12	Hong Kong	



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Machinery	Number	Countries of origin	Function and usage
 <p>Drilling rig for pile size with diameter smaller than or equal to 273mm (light weight type)</p>	7	Sweden	
 <p>Crawler crane</p>	5	PRC and Japan	It is a crane mounted on an undercarriage with a set of tracks (also called crawlers) that provide stability and mobility.



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As at 31 March 2015, the usage information for each type of our major machinery is set out below:

Type of machinery	Date of acquisition (Year range)	Cost of acquisition (HK\$'000)	Weighted average age (Years)	Weighted average of remaining useful life (Years)
Air compressor	1995 to 2013	33,779	4.89	1.52
Drilling rig for pile size with diameter larger than or equal to 406mm	1995 to 2014	49,754	4.93	1.51
Drilling rig for pile size with diameter smaller than or equal to 406mm	1997 to 2014	14,107	5.46	0.61
Drilling rig for pile size with diameter smaller than or equal to 273mm (light weight type)	1998	315	17.00	–
Crawler crane	2000 to 2013	13,671	2.80	2.75
Others	1996 to 2014	<u>13,951</u>	7.29	1.67
Total		<u><u>125,577</u></u>		

Besides, our major equipment used in operation include automatic grouting stations. During the Track Record Period, we rented machinery such as air compressors, crawler cranes and backhoes from our suppliers. Our Directors consider that this rental arrangement could increase our flexibility. Further, as licensed workmen are also provided by our suppliers to assist us in operating these machinery, this serves as an additional source of staff for our projects. For each of the three years ended 31 March 2015, the total machinery rental costs from our suppliers amounted to approximately HK\$16.2 million, HK\$25.7 million and HK\$19.4 million, representing approximately 8.6%, 10.0% and 6.6% of our total direct costs respectively.

We engage Independent Third Parties to repair and maintain our machinery on a regular basis. For each of the three years ended 31 March 2015, our expenses in repairing and maintaining our machinery, including the expenses of purchasing consumable machinery spare parts such as diamond and button bits for regular replacement, accounted for approximately HK\$3.9 million, HK\$6.3 million and HK\$10.5 million respectively. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material work interruption due to malfunction of our machinery.

For each of the three years ended 31 March 2015, the amount incurred in acquiring new machinery accounted for approximately HK\$30.8 million, HK\$31.2 million and HK\$5.1 million respectively. As at 31 March 2015, our machinery and equipment had a total net book value of approximately HK\$41.7 million.

To facilitate capacity expansion, approximately HK\$41.6 million of the net proceeds from the Global Offering will be used to acquire new machinery and equipment in the next four years. The impact of such acquisitions on depreciation charges for each of the four years ending 31 March 2019 amounts to approximately HK\$1.7 million, approximately

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HK\$4.6 million, approximately HK\$6.5 million and approximately HK\$8.3 million, respectively. Further, the estimated aggregated depreciation charges for the four years ending 31 March 2023 amounts to approximately HK\$20.5 million. The Directors confirm that fully depreciated assets are still being used as at the Latest Practicable Date.

### Utilisation rate

In view of the nature of our business and operations, our Directors consider that it is not feasible or practicable to accurately quantify the service capacity and utilisation rate of our machinery and equipment due to the following reasons:

- (i) a typical foundation works project involves the use of various machinery and equipment depending in different stages. In general, for example, drilling rigs are more heavily used in the initial stage, whereas the use of crawler cranes is required in the subsequent stage. As such, machinery and equipment from time to time are left unused in active construction sites pending completion of other stages. Also, machinery and equipment are sometimes left unused for assembling, disassembling, repairing and maintenance works to be carried out. Due to the aforesaid, our Directors are of the view that it would be difficult to accurately measure an overall utilisation rate for our fleet of machinery and equipment in general. Further, it is not practicable for us to accurately record the daily or hourly usage of each individual machinery and equipment;
- (ii) each type of machinery and equipment is highly specific to different types and specifications of foundation works. Given that we provide a wide range of foundation works during the Track Record Period, it is not practicable to reliably quantify the capacity of each piece of machinery and equipment by making reference to an objective and comparable scale or standard of measurement; and
- (iii) as at 31 March 2015, we had 97 pieces of major machinery and five types of major machinery of various functions, sizes and capacity in use. Given that different machinery and equipment are required to be used in different types and stages of foundation works projects, and in view of the number of machinery and equipment owned by us, it would be difficult for us to identify one or a few types of machinery and equipment that are most crucial to our operation.

In view of the aforesaid, the collection of reliable and accurate data, including the hourly usage rate of each particular machinery and equipment, required for the calculation of the utilisation rates is infeasible in practice.

During the Track Record Period, when our machinery and equipment was not deployed for use, they would generally be transferred or placed at a site leased by our Group situated in Yuen Long, pending further deployment in projects when necessary. In addition, as a project may involve various categories of foundation works, we may optimise our operational efficiency by having an effective scheduling in deploying our machinery and equipment.

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### QUALITY CONTROL

Our relevant project management 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 this prospectus.

Our foreman is responsible for monitoring the quality of works carried out by our own employees and/or our sub-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 management 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 construction materials, consumable parts and machinery, we generally purchase or rent from our suppliers who had established and satisfactory business relationships with us, and demonstrated consistency in the quality of the construction materials, consumable parts or machinery supplied by them. When the construction materials, consumable parts and machinery 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 machinery, whether it functions properly.

Our customers, being generally the main contractors, also carry out quality supervision to our foundation 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 sub-subcontractors, which is considered by our Directors to be attributable to our effective quality control measures.

In recognition of our quality control system, our quality management system for design, supply and installation of rock-socketed steel H-pile in prebored hole and minipile works has been assessed and certified as being in compliance with the requirements of ISO 9001:2008. For details, please refer to the paragraph headed “Business – Major Qualifications and Licenses” in this prospectus.

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### MAJOR QUALIFICATIONS AND LICENSES

As revealed by our Legal Counsel, in practice, for public sector projects, contractors responsible for the foundation works are, among others, required to be listed under the Works Branch of the Development Bureau, and with the Buildings Department as registered specialist contractors under the categories of foundation works and/or ground investigation field works. As long as the main contractors hold all the required registrations for the project, the subcontractors are not required to hold the same registrations as the main contractors in public projects. However, being registered on the Subcontractor Registration Scheme at the Construction Industry Council (建造業議會) is required for subcontractors to participate in public projects commissioned by certain Government departments and statutory bodies, including the Airport Authority, Development Bureau and the Housing Authority.

As advised by our Legal Counsel, for any foundation works where we are involved as a subcontractor, if there is a registered specialist contractor who is registered with the Buildings Department under the appropriate category to supervise the works and liaise with the Buildings Authority, we ourselves are not required to be such registered specialist contractor or to obtain any requisite licences, permits and approval for our operation and business except the business registration.

Our Directors confirmed that, for every foundation work where we are involved as a subcontractor or sub-subcontractor, as the case may be, there is such a registered specialist contractor (generally being our main contractors) to supervise the works and liaise with the Buildings Authority. As such, there are no licences, permits or approval necessary to be obtained for us to carry out our business in connection with foundation works except the business registration.

In stating so, we applied and obtained qualification as a registered specialist contractor as our Directors consider that it would be in the best interest of our Group to do so because:

- (i) in future, we may be engaged by main contractor who is not a registered specialist contractor to undertake foundation works; and
- (ii) the qualification of registered specialist contractor for foundation works and registration under the Works Branch of the Development Bureau are public information and can be inspected in the web site of the Buildings Department and Development Bureau respectively, and therefore could enhance our professional profile in the construction industry.

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The following table sets out the details of our major licences and qualifications as at the Latest Practicable Date:

Licenses and qualifications	Issuing authorities	Type(s) of works covered	Date of commencement	Date of expiry
Registered Specialist Contractor	Buildings Department	Foundation works	18 August 2014	27 October 2017
Registered Specialist Contractor	Buildings Department	Ground investigation field works	2 April 2013	1 July 2016
Approved Supplier of Materials and Specialist Contractor for Public Works	Development Bureau	Group II <sup>(Note 3)</sup> of the “Land Piling” category for minipile and rock-socketed steel H-pile in pre-bored hole	26 June 2006	– <sup>(Note 1)</sup>
Approved Supplier of Materials and Specialist Contractor for Public Works	Development Bureau	Group I <sup>(Note 3)</sup> of the “Ground Investigation Field Work” category	4 December 2007	– <sup>(Note 1)</sup>
Registered Subcontractor	Construction Industry Council	Ground Investigation	3 November 2014	2 November 2016
Registered Subcontractor	Construction Industry Council	Sheet piles, bored piles, driven piles, diaphragm walls, micro piles and others (grout curtain)	17 June 2014	16 June 2016
Confirmed Status in the Housing Authority List of Ground Investigation Contractors <sup>(Note 2)</sup>	Hong Kong Housing Authority	Ground investigation	8 November 2013	7 November 2015

*Notes:*

1. “–” denotes not subject to any periodic renewal conditions.
2. As at the Latest Practicable Date, Chung Shun had the confirmed status in the Housing Authority List of Ground Investigation Contractors because of the ground investigation field works project GI2 with Customer D. For details of the major terms of the master agreement of ground investigation field works project GI2, please refer to the paragraph headed “Business – Our Customers – Major terms of our contracts” in this prospectus.
3. We may tender for public works contracts only in the works categories and groups for which they are approved. Group II of the “Land Piling” category refers to contracts or subcontracts of unlimited value. Group I of the “Ground Investigation Field Work” category refers to contracts or subcontracts up to HK\$2.3 million.

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Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, we had obtained all the necessary licenses, permits, consents and approvals for our business operation in Hong Kong and all of them are valid. The existing licenses are subject to renewal by the relevant issuing authorities. Our Directors confirmed that we had not experienced any material difficulties in obtaining and/or renewing the aforesaid licenses and qualifications. Our Directors further confirmed that they were not aware of any circumstances that would significantly hinder or delay the renewal of those licenses and qualifications.

### **Voluntarily refraining from tendering for public works contracts of the Development Bureau**

As at the Latest Practicable Date, Wan Kei Engineering was included in the Specialist List Group II under the “Land Piling” category for minipile and rock-socketed steel H-pile in pre-bored hole.

On 9 September 2010, at the site of the Architectural Services Department, Wan Kei Engineering was working on the construction of a swimming pool complex with the Government under Contract No. SS T325. A letter dated 28 November 2011 from the Works Branch, Development Bureau, states that on that day, a mobile crane was mobilised to lift a heap of concrete block from a loading platform and during the lifting operation, one of the concrete slabs supporting the four outriggers of the mobile crane was broken. The mobile crane toppled and the jib swung together with the mobile crane fell on a row of sheet piles erected between the mobile crane and the site hoarding. The upper portion of the jib fell beyond the site hoarding and boundary, struck the overhead cables of the Light Rail System near Tin King Station, and hit a passing-by Light Rail Train (“LRT”) causing injuries to 18 passengers inside the LRT.

Pursuant to the Summons no. 2873 of 2011 (“**Summons**”), charges were brought by the Labour Department against Wan Kei Engineering, as an owner of a lifting appliance, for failing to take appropriate precautions to ensure its stability before it was used at or moved in an industrial undertaking, as required under the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations under the Factories and Industrial Undertakings Ordinance.

In the hearing of the Summons in the Tuen Mun Magistrates’ Courts of Hong Kong dated 1 February 2012, the Court held that Wan Kei Engineering, along with other defendants, had taken appropriate precautions. Therefore, Wan Kei Engineering, along with other defendants, were acquitted.

Nevertheless, upon the request of the Works Branch, Development Bureau, Wan Kei Engineering agreed to voluntarily refrain from tendering for public works contracts under the “Land Piling” category of the Specialist List Group II from 5 December 2011 and carry out independent safety audit on site to the satisfaction of the Development Bureau. By a letter dated 6 August 2013, having considered the independent safety audit results, and improvement action plan cum situation report submitted by Wan Kei Engineering, the

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Development Bureau was satisfied with the improvements made by Wan Kei Engineering in respect of safety, and the suspension from tendering for public works contracts under the category of “Land Piling (Group II)” was lifted.

As advised by our Legal Counsel, since Wan Kei Engineering was not required to cease any other public works, Wan Kei Engineering could still continue other works in progress which had been undertaken by it from 5 December 2011 to 6 August 2013, the suspension period.

Pursuant to section 5.2.2 of the Contractor Management Handbook – Revision B issued by the Development Bureau, if the tenderer is under voluntary suspension from tendering for public works in a particular category, at the date of tender invitation but subsequently revokes the voluntary suspension without agreement in writing from the Development Bureau, its tender for that particular category will not be considered. In stating so, as confirmed by our Directors, Wan Kei Engineering did not tender for any public works contracts under the “Land Piling” category of the Specialist List Group II during the said suspension period.

Our Directors consider that if our customers or the main contractors possess the qualification of Group II of the “Land Piling” category for minipile and rock-socketed steel H-pile in pre-bored hole, they would tender for the relevant public works contracts from the Development Bureau using their own qualification. Further, if our customers or the main contractors decided to tender for the relevant public works contracts using our qualification, they would inform us and seek our confirmation before submission of the relevant tenders.

Before the commencement of the voluntary suspension period, among other Development Bureau projects, we had three projects that the relevant public works contracts were tendered by our customers or the main contractors using our qualification of Group II of the “Land Piling” category for minipile and rock-socketed steel H-pile in pre-bored hole. The revenue contribution of these three projects amounted to approximately HK\$1.7 million, HK\$0.1 million and HK\$0.1 million, respectively for each of the three years ended 31 March 2015. All these three projects were completed as at the Latest Practicable Date. As to other Development Bureau projects, they were the projects that either (i) possession of such qualification by the tenderer is not a pre-condition of tendering; or (ii) our customers or the main contractors possessed the qualification of Group II of the “Land Piling” category for minipile and rock-socketed steel H-pile in pre-bored hole, and therefore our Directors consider that they would tender for the relevant public works contracts with their own qualification. As such, our Directors consider that the impact as to our business operation from such voluntarily refraining from tendering was minimal.

After the end of the voluntary suspension period up to the end of the Track Record Period, among other Development Bureau projects, there were five projects that were tendered by our customers or the main contractors using our qualification of Group II of the “Land Piling” category for minipile and rock-socketed steel H-pile in pre-bored hole. The revenue contribution of these five projects amounted to approximately nil, HK\$3.4 million and HK\$8.1 million, respectively for each of the three years ended 31 March 2015. Four of these five projects were on-going as at the Latest Practicable Date. For details of these four projects, please refer to items 14, 15, 20 and 25 on pages 137-139 in this prospectus.

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### AWARDS, CERTIFICATIONS AND CORPORATE SOCIAL RESPONSIBILITIES

In recognition of our quality control system, we have obtained a number of certifications which are set out as follows:

Certifications	Year of Grant	Description	Issuing organisation	Expiry date
ISO 9001:2008	2007	Certification of quality management system <i>(Note 1)</i>	Accredited Certification International Limited	29 April 2018
OHSAS 18001:2007	2007	Certification of environmental management system <i>(Note 1)</i>	Accredited Certification International Limited	29 April 2018
ISO14001:2004	2007	Certification of occupational health and safety management system <i>(Note 1)</i>	Accredited Certification International Limited	29 April 2018

*Note:*

- 1) The certification concerns our design, supply and installation of rock-socketed steel H-pile in prebored hole and minipile works.

We have received a number of major awards during our operating history. The following table sets out summary of our awards:

Awards	Year of Grant	Description	Awarding organisation
Best Improvement Award	2014	Safety Campaign 2014	Samsung – Hsin Chong Joint Venture
Zero Accident Achievement Award	2014	Safety Campaign 2014	Samsung – Hsin Chong Joint Venture
The On-site Best Safety and Environmental Subcontractor Award	2014	In relation to a construction project undertaken at a sports center in Hong Kong	Chevalier (Construction) Co., Ltd
Best Improvement Award	2013	Outstanding HSEQ Performance Award	Samsung – Hsin Chong Joint Venture
Model Subcontractor Award	2012	Considerate Contractors Site Award Scheme 2011	Development Bureau Construction Industry Council
Outstanding Safety Performance	2011	In relation to a project involving reconstruction and improvement of public road	Safety, Health and Environmental Department China Harbour Engineering Company Limited



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Awards	Year of Grant	Description	Awarding organisation
Silver Prize in Construction Industry Safety Award Scheme (建造業安全獎勵計劃銀獎)	2009	N/A	Labour Department Occupational Safety and Health Council Various organisations from the Government and the construction industry
Best Safety and Environment Subcontractor Award (最佳安全及環保分判商嘉許獎狀)	2007	In relation to a project involving building demolition and underground reconstruction works	China Overseas Building Construction Limited

### COMPETITION

The foundation industry in Hong Kong is relatively fragmented. According to the Ipsos Report, the top five foundation work subcontractors accounted for only approximately 7.9% of the total revenue of the foundation industry in Hong Kong in 2014.

Based on the Ipsos Report, our Directors consider that the entry barriers to the foundation industry in Hong Kong mainly include: (i) sufficiency of practical industry experience; (ii) huge cash flow requirement; and (iii) significant capital investment in specialised machinery. For details, please refer to the paragraph headed “Industry Overview – Competitive Analysis of Foundation Industry in Hong Kong – Entry barriers” in this prospectus.

As revealed by the Ipsos Report, in the construction industry, the tender invitation and quotation request by the main contractors to the subcontractors is based on the subcontractors’ experience, business connection, reputation, machinery capability and registrations. If a sub-subcontractor is able to fulfill the project requirements, get in touch with the main contractor’s project rollout, necessary licenses and competitive pricing, it is possible for a sub-subcontractor to be a subcontractor. However, the sub-subcontractors in general are smaller in size and do not have the necessary experience, business connection, reputation, machinery capability and registrations to compete with the subcontractors for construction works.

Our main competitors in the foundation industry are mainly companies based in Hong Kong that provide piling services including socketed H-piling, mini piling, driven piling, sheet piling and prebored socketed steel piling, according to the Ipsos Report.

In addition, we believe that we compete with other foundation work subcontractors on our competitive strengths. We consider that our competitive strengths have contributed to our success. As such, even though competition within the foundation industry in Hong Kong will continue to intensify in the future, we are confident that we are able to withstand the intense competition with our competitive strengths. For further details of our competitive strengths, please refer to the paragraph headed “Business – Our Competitive Strengths” in this prospectus.

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### OUR EMPLOYEES

As at 31 March 2015, we had 161 full-time employees (excluding our Directors) who were directly employed by us in Hong Kong. The following table sets out the number of our employees by their functional role:

<b>Functional role</b>	<b>Number</b>
Management (excluding our Directors) and supervisor	19
Administration	15
Technical and technician	12
Site workers	108
Others	<u>7</u>
Total:	<u><u>161</u></u>

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, newspapers and Labour Department. 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, they will be admitted as our full-time employees if their supervisors are satisfied with their performance during such period.

Education and training will also be provided to our existing employees on various aspects including advanced knowledge and skills on machinery 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 study leave, 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 Directors will also conduct research on the remuneration packages offered for similar positions in the Hong Kong construction industry in order to keep our remuneration packages at a competitive level.

We have also adopted the Share Option Scheme which will become effective upon Listing. The Share Option Scheme is designed to provide incentives and rewards to our employees.

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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 labour cost, including wages, salaries and other employee's benefits, amounted to approximately HK\$35.6 million, HK\$45.2 million and HK\$51.4 million for each of the three years ended 31 March 2015, respectively which amounted to approximately 18.8%, 17.6% and 17.5% of our total direct costs respectively for the same years.

### OUR PROPERTIES

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

Address	Landlord	Gross floor area ( <i>sq.ft.</i> )	Use of the property	Major terms of the tenancy
The Remaining Portion of Lot Nos. 1095, 1097 and 1098, Demarcation District No. 106, Yuen Long, New Territories	Chung Wah Investment Company Limited ( <i>Note 1</i> )	35,500.82	For storage of our machinery and equipment ( <i>Note 2</i> )	Monthly rental of HK\$95,000 with tenancy period up to 31 January 2017
Rooms 6 & 8, 9th Floor, Block A, Fuk Keung Industrial, Nos 66-68 Tong Mi Road, Mongkok, Kowloon, Hong Kong	Chung Hang ( <i>Note 3</i> )	2,710	For offices ( <i>Note 4</i> )	Monthly rental of HK\$52,000 with tenancy period up to 31 January 2017
Unit M on 31/F of Block 1, Vigor Industrial Building, Nos. 49-53 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong	An independent third party	2,100	For warehouses ( <i>Note 5</i> )	Monthly rental of HK\$12,500 with tenancy period up to 31 January 2016
Unit B on 32/F of Block 1, Vigor Industrial Building, Nos. 49-53 Ta Chuen Ping Street, Kwai Chung, New Territories, Hong Kong	An independent third party	2,475	For warehouses ( <i>Note 5</i> )	Monthly rental of HK\$16,200 with tenancy period up to 31 December 2015

*Notes:*

1. Chung Wah Investment Company Limited is a connected person of our Company. Please refer to the section headed "Connected Transactions" in this prospectus for further details of our transactions with Chung Wah Investment Company Limited.
2. Certain issues relating to additional and/or alternation works performed were identified. For details, please refer to the paragraph headed "Business – Legal Proceedings and Legal Compliance – Legal compliance" in this prospectus.

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3. Chung Hang is a connected person of our Company. Please refer to the section headed “Connected Transactions” in this prospectus for further details of our transactions with Chung Hang.
4. Certain issues relating to additional and/or alternation works performed and permitted use of the property were identified. For details, please refer to the paragraph headed “Business – Legal Proceedings and Legal Compliance – Legal compliance” in this prospectus.
5. Certain issues relating to the permitted use of the property were identified. For details, please refer to the paragraph headed “Business – Legal Proceedings and Legal Compliance – Legal compliance” in this prospectus.

## ENVIRONMENT

For details of the laws and regulations in relation to environmental protection applicable to our business, please refer to the paragraph headed “Regulatory Overview – B. Laws and Regulations in relation to Environmental Protection” in this prospectus.

For each of the three years ended 31 March 2015, our cost of compliance with the applicable environmental laws and regulations in Hong Kong were approximately HK\$0.4 million, HK\$0.5 million and HK\$0.7 million respectively, which primarily consisted of construction waste transportation costs and dumping charges. Our executive Directors expect that such cost of compliance to be incurred in future will increase for the year ending 31 March 2016 primarily because of the increasing number of projects after implementation of our expansion plan. For details of our expansion plan, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus. 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.

In recognition of our environmental policies, our environmental management system for design, supply and installation of rock-socketed steel H-Pile in prebored hole and minipile works has been assessed and certified as meeting the requirements of ISO 14001:2004 since 2007. For details, please refer to the paragraph headed “Business – Awards, Certifications and Corporate Social Responsibilities” in this prospectus.

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### WORK SAFETY

Risks of accidents and injuries to workers in construction sites are inherent. We have implemented occupational health and safety measures for our staff and sub-subcontractors' staff. For details of our occupational health and safety measures, please refer to the paragraph headed "Occupational health and safety measures" below. In recognition of our work safety policies, our occupational health and safety management system for design, supply and installation of rock-socketed steel H-Pile in prebored hole and minipile works has been assessed and certified as meeting the requirements of OHSAS 18001:2007 since 2007. For details, please refer to the paragraph headed "Business – Awards, Recognitions and Corporate Social Responsibilities" in this prospectus. We also have two qualified safety officers for Wan Kei Engineering and Chung Shun respectively, to monitor and implement our occupational health and safety measures.

We are required to report the work injuries to the Commissioner of Labour through the main contractor or by ourselves. Work injuries not reported to the Commissioner of Labour constituted non-compliances. There are 54 cases of work injuries of our employees which were not reported to the Commissioner of Labour through the main contractor or by ourselves because our administrative staff had mistakenly believed that work injury with mutual settlement was not required to be reported to the Commissioner of Labour due to lack of timely and professional advice. We subsequently filed 18 notices of work accident in relation to these 54 cases of the unreported work injuries to the Commissioner of Labour. For details, please refer to the paragraph headed "Legal Proceedings and Legal Compliance – Legal compliance" in this prospectus. For those work injuries with mutual settlement, they were not covered by our insurance policies. For each of the three years ended 31 March 2015, our compensation to our injured employees amounted to approximately HK\$19,500, HK\$171,886 and nil respectively.

Provided that we have reported to the Commissioner of Labour, we are not obliged to report the work injuries to the main contractor or insurance company under section 15(1A) of the Employees' Compensation Ordinance. Nevertheless, as confirmed by our Directors, it is an industrial practice to report the work injuries to the Commissioner of Labour through the main contractor because the main contractor is responsible to maintain the employees' compensation insurance and contractor's all risks insurance for the entire construction project. Therefore, upon our report of the work injuries to the main contractor, it could liaise with the relevant insurance company to arrange compensation as well as report to the Commissioner of Labour.

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We also maintain an internal record of our work injuries. For the calendar years 2012, 2013, 2014 and for the period from 1 January 2015 to the Latest Practicable Date, we recorded 15, 22, 6 and 2 work injuries of our employees, and 6, 9, 7 and 2 work injuries of our sub-subcontractors' employees, respectively. The following table sets out the information of the work injuries of our employees from 1 January 2012 to the Latest Practicable Date:

No.	Date of the accident	Details of the accident and nature of injuries	Consequences
<i>For the calendar year of 2012</i>			
<i>Accidents settled by mutual agreement</i>			
1.	15 February 2012	An employee of us suffered left shoulder and hand injury during the course of foundation works.	We granted a 8-day leave to the injured employee. The incident has been fully settled after compensation was made by our Group to the injured employee. The accident was not reported to the insurer and the Commissioner of Labour.
2.	9 March 2012	An employee of us suffered back sprain during the course of foundation works.	We granted a 2-day leave to the injured employee. The incident has been fully settled after compensation was made by our Group to the injured employee. Despite the initial delay in reporting, the accident was subsequently reported to the insurer and the Commissioner of Labour.
3.	14 March 2012	An employee of us suffered right knee and left hand injury during the course of foundation works.	We granted a 3-day leave to the injured employee. The incident has been fully settled after compensation was made by our Group to the injured employee. Despite the initial delay in reporting, the accident was subsequently reported to the insurer and the Commissioner of Labour.
4.	20 March 2012	An employee of us suffered left neck and back injury during the course of foundation works.	We granted a 5-day leave to the injured employee. The incident has been fully settled after compensation was made by our Group to the injured employee. The accident was not reported to the insurer and the Commissioner of Labour.
5.	25 April 2012	An employee of us suffered waist injury during the course of foundation works.	We granted a 5-day leave to the injured employee. The incident has been fully settled after compensation was made by our Group to the injured employee. Despite the initial delay in reporting, the accident was subsequently reported to the insurer and the Commissioner of Labour.

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No.	Date of the accident	Details of the accident and nature of injuries	Consequences
6.	26 April 2012	An employee of us suffered back injury during the course of foundation works.	We granted a 5-day leave to the injured employee. The incident has been fully settled after compensation was made by our Group to the injured employee. Despite the initial delay in reporting, the accident was subsequently reported to the insurer and the Commissioner of Labour.
7.	22 June 2012	An employee of us suffered waist injury during the course of foundation works.	We granted a 1-day leave to the injured employee. The incident has been fully settled after compensation was made by our Group to the injured employee. Despite the initial delay in reporting, the accident was subsequently reported to the insurer and the Commissioner of Labour.
8.	29 August 2012	An employee of us suffered certain injury during the course of foundation works.	We granted a 4-day leave to the injured employee. The incident has been fully settled after compensation was made by our Group to the injured employee. Despite the initial delay in reporting, the accident was subsequently reported to the insurer and the Commissioner of Labour.
9.	8 October 2012	An employee of us suffered left wrist injury during the course of foundation works.	We granted a 5-day leave to the injured employee. The incident has been fully settled after compensation was made by our Group to the injured employee. The accident was not reported to the insurer and the Commissioner of Labour.
10.	16 October 2012	An employee of us suffered left wrist injury during the course of foundation works.	We granted a 4-day leave to the injured employee. The incident has been fully settled after compensation was made by our Group to the injured employee. A discharge form was signed by the injured. The accident was not reported to the insurer and the Commissioner of Labour.

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No.	Date of the accident	Details of the accident and nature of injuries	Consequences
<i>Accidents reported to main contractors</i>			
1.	23 April 2012	An employee of us suffered certain injuries during the course of foundation works.	The main contractor confirmed that the incident had been fully settled. The accident was reported to the Commissioner of Labour through the main contractor.
2.	13 August 2012	An employee of us suffered left foot fracture and left ankle injury resulting in pain during the course of foundation works.	The incident has been fully settled. The accident was reported to the Commissioner of Labour through the main contractor.
3.	6 September 2012	An employee of us suffered certain injuries during the course of foundation works.	The main contractor confirmed that the incident had been fully settled. The accident was reported to the Commissioner of Labour through the main contractor.
4.	17 December 2012	An employee of us suffered left index finger infection during the course of foundation works.	The insurer of the main contractor confirmed that the incident had been fully settled. The accident was reported to the Commissioner of Labour through the main contractor.

*Accidents involving litigation and claims*

1.	4 August 2012	When an employee of us was trying to climb onto the chain wheel of the crane, he fell to the ground and sustained back injury as a result.	The injured employee made an application under the Employees' Compensation Ordinance.
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No.	Date of the accident	Details of the accident and nature of injuries	Consequences
<i>For the calendar year of 2013</i>			
<i>Accidents settled by mutual agreement</i>			
1.	22 February 2013	An employee of us suffered forearm injury during the course of foundation works.	We granted a 4-day leave to the injured employee. The incident has been fully settled after compensation was made by our Group to the injured employee. A discharge form was signed by the injured. Despite the initial delay in reporting, the accident was subsequently reported to the insurer and the Commissioner of Labour.
2.	21 March 2013	An employee of us suffered left eyebrow injury during the course of foundation works.	We granted a 3-day leave to the injured employee. The incident has been fully settled after compensation was made by our Group to the injured employee. A discharge form was signed by the injured. Despite the initial delay in reporting, the accident was subsequently reported to the insurer and the Commissioner of Labour.
3.	23 May 2013	An employee of us suffered back contusion and lower back injury during the course of foundation works.	We granted a 3-day leave to the injured employee. The incident has been fully settled after compensation was made by our Group to the injured employee. A discharge form was signed by the injured. Despite the initial delay in reporting, the accident was subsequently reported to the insurer and the Commissioner of Labour.
4.	28 May 2013	An employee of us suffered back sprain during the course of foundation works.	We granted a 2-day leave to the injured employee. The incident has been fully settled after compensation was made by our Group to the injured employee. A discharge form was signed by the injured. Despite the initial delay in reporting, the accident was subsequently reported to the insurer and the Commissioner of Labour.
5.	5 August 2013	An employee of us suffered lower back injury during the course of foundation works.	We granted a 57-day leave to the injured employee. The incident has been fully settled after compensation was made by our Group to the injured employee. A discharge form was signed by the injured. The accident was not reported to the insurer and the Commissioner of Labour.

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No.	Date of the accident	Details of the accident and nature of injuries	Consequences
6.	26 August 2013	An employee of us suffered right wrist injury during the course of foundation works.	We granted a 2-day leave to the injured employee. The incident has been fully settled after compensation was made by our Group to the injured employee. A discharge form was signed by the injured. Despite the initial delay in reporting, the accident was subsequently reported to the insurer and the Commissioner of Labour.
7.	7 September 2013	An employee of us suffered right foot sprain during the course of foundation works.	We granted a 4-day leave to the injured employee. The incident has been fully settled after compensation was made by our Group to the injured employee. A discharge form was signed by the injured. Despite the initial delay in reporting, the accident was subsequently reported to the insurer and the Commissioner of Labour.
8.	16 September 2013	An employee of us suffered right shoulder sprain during the course of foundation works.	We granted a 169-day leave to the injured employee. The incident has been fully settled after compensation was made by our Group to the injured employee. A discharge form was signed by the injured. The accident was not reported to the insurer and the Commissioner of Labour.
9.	24 October 2013	An employee of us suffered left arm injury during the course of foundation works.	We granted a 3-day leave to the injured employee. The incident has been fully settled after compensation was made by our Group to the injured employee. A discharge form was signed by the injured. Despite the initial delay in reporting, the accident was subsequently reported to the insurer and the Commissioner of Labour.
10.	25 November 2013	An employee of us suffered forehead injury during the course of foundation works.	We granted a 2-day leave to the injured employee. The incident has been fully settled after compensation was made by our Group to the injured employee. A discharge form was signed by the injured. Despite the initial delay in reporting, the accident was subsequently reported to the insurer and the Commissioner of Labour.

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No.	Date of the accident	Details of the accident and nature of injuries	Consequences
11.	28 November 2013	An employee of us suffered right knee injury during the course of foundation works.	We granted a 3-day leave to the injured employee. The incident has been fully settled after compensation was made by our Group to the injured employee. A discharge form was signed by the injured. Despite the initial delay in reporting, the accident was subsequently reported to the insurer and the Commissioner of Labour.
12.	2 December 2013	An employee of us suffered left knee contusion during the course of foundation works.	We granted a 13-day leave to the injured employee. The incident has been fully settled after compensation was made by our Group to the injured employee. A discharge form was signed by the injured. The accident was not reported to the insurer and the Commissioner of Labour.
13.	11 December 2013	An employee of us suffered left foot pain during the course of foundation works.	We granted a 4-day leave to the injured employee. The incident has been fully settled after compensation was made by our Group to the injured employee. A discharge form was signed by the injured. Despite the initial delay in reporting, the accident was subsequently reported to the insurer and the Commissioner of Labour.
14.	11 December 2013	An employee of us suffered right arm injury during the course of foundation works.	We granted a 11-day leave to the injured employee. The incident has been fully settled after compensation was made by our Group to the injured employee. A discharge form was signed by the injured. The accident was not reported to the insurer and the Commissioner of Labour.
15.	13 December 2013	An employee of us suffered swollen right clavicle during the course of foundation works.	We granted a 3-day leave to the injured employee. The incident has been fully settled after compensation was made by our Group to the injured employee. A discharge form was signed by the injured. Despite the initial delay in reporting, the accident was subsequently reported to the insurer and the Commissioner of Labour.

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No.	Date of the accident	Details of the accident and nature of injuries	Consequences
16.	23 December 2013	An employee of us suffered left foot injury during the course of foundation works.	We granted a 2-day leave to the injured employee. The incident has been fully settled after compensation was made by our Group to the injured employee. A discharge form was signed by the injured. Despite the initial delay in reporting, the accident was subsequently reported to the insurer and the Commissioner of Labour.
17.	23 December 2013	An employee of us suffered burn injury on left foot during the course of foundation works.	We granted a 7-day leave to the injured employee. The incident has been fully settled after compensation was made by our Group to the injured employee. A discharge form was signed by the injured. The accident was not reported to the insurer and the Commissioner of Labour.

*Accidents reported to main contractors*

1.	25 January 2013	An employee of us suffered certain injuries during the course of foundation works.	The main contractor confirmed that the incident had been fully settled. The accident was reported to the Commissioner of Labour through the main contractor.
2.	13 March 2013	An employee of us suffered certain injuries during the course of foundation works.	The main contractor confirmed that the incident had been fully settled. The accident was reported to the Commissioner of Labour through the main contractor.
3.	13 April 2013	An employee of us suffered certain injuries during the course of foundation works.	The main contractor confirmed that the incident had been fully settled. The accident was reported to the Commissioner of Labour through the main contractor.
4.	15 July 2013	An employee of us suffered certain injuries during the course of foundation works.	The main contractor confirmed that the incident had been fully settled. The accident was reported to the Commissioner of Labour through the main contractor.
5.	7 October 2013	An employee of us suffered injury to the right hand during the course of foundation works.	The main contractor confirmed that the injured person was still on leave. The accident was reported to the Commissioner of Labour through the main contractor.

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No.	Date of the accident	Details of the accident and nature of injuries	Consequences
<i>Accidents involving litigation and claims</i>			
1.	Nil	Nil	Nil
<b><i>For the calendar year of 2014</i></b>			
<i>Accidents settled by mutual agreement</i>			
1.	Nil	Nil	Nil
<i>Accidents reported to main contractor</i>			
1.	28 February 2014	An employee of us suffered back injury resulting in residual back pain during the course of foundation works.	The incident has been fully settled after compensation was made by our Group to the injured employee. The accident was reported to the Commissioner of Labour through the main contractor.
2.	2 May 2014	An employee of us suffered certain injuries during the course of foundation works.	The main contractor confirmed that the injured person was still on leave and the case was being monitored by the main contractor and its insurer. The accident was reported to the Commissioner of Labour through the main contractor.
3.	24 June 2014	An employee of us suffered certain injuries during the course of foundation works.	The main contractor confirmed that the case had been referred to its insurer. The accident was reported to the Commissioner of Labour through the main contractor.
4.	24 June 2014	An employee of us suffered injury to the left wrist during the course of foundation works.	The main contractor confirmed that the case had been referred to its insurer. The accident was reported to the Commissioner of Labour through the main contractor.
5.	26 August 2014	An employer of us suffered certain injuries during the course of foundation works.	The main contractor has been notified about the case. The accident was reported to the Commissioner of Labour through the main contractor.

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No.	Date of the accident	Details of the accident and nature of injuries	Consequences
6.	23 September 2014	An employee of us suffered back injury during the course of foundation works.	We granted a 35-day leave to the injured employee. The main contractor has been notified about the case. Advance payment was made by us to the injured employee regarding the injury he suffered. The accident was reported to the Commissioner of Labour through the main contractor.

*Accidents involving litigation and claims*

1.	Nil	Nil	Nil
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***For the period from 1 January 2015 to the Latest Practicable Date***

*Accidents reported to the Commissioner of Labour*

1.	12 January 2015	An employee of us suffered laceration and cut to the finger during the course of ground investigation field works.	The accident was reported to the Commissioner of Labour.
2.	13 July 2015	An employee of us suffered back sprain during the course of ground investigation field works.	The accident was reported to the Commissioner of Labour.

*Accidents settled by mutual agreement*

1.	Nil	Nil	Nil
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*Accidents reported to main contractor*

1.	Nil	Nil	Nil
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*Accidents involving litigation and claims*

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

	<b>Construction industry average rate</b> <i>(Note 1)</i>	<b>Our Group's rate</b> <i>(Note 2)</i>
<b>2012</b>		
Accident rate per 1,000 workers	44.3	88.0
Fatality rate per 1,000 workers	0.337	–
<b>2013</b>		
Accident rate per 1,000 workers	40.8	77.7
Fatality rate per 1,000 workers	0.277	–
<b>2014</b>		
Accident rate per 1,000 workers	N/A	33.6
Fatality rate per 1,000 workers	N/A	–
<b>2015 (from 1 January to 30 June (both days inclusive))</b>		
Accident rate per 1,000 workers	N/A	12.1
Fatality rate per 1,000 workers	N/A	–

*Notes:*

1. The figures are from the Occupational Safety and Health Statistics 2013 (August 2014) by Occupational Safety and Health Branch, Labour Department.
2. Our Group's injury rate is calculated with reference to the definition of injury rate under the Occupational Safety and Health Statistics 2013 (August 2014) by Occupational Safety and Health Branch, Labour Department, which is the number of work injuries resulting in total or partial incapacity of our employees for a period exceeding 3 days, divided by our monthly average construction site employees, during a calendar year.

For the calendar years 2012, 2013, 2014 and for the period from 1 January 2015 to the Latest Practicable Date, we recorded no fatal injuries for our projects and so the fatality rates of our projects were lower than the construction industry average rates in Hong Kong.

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

2012	29.6
2013	26.2
2014	11.4
2015 (from 1 January to 30 June (both days inclusive))	4.2

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*Notes:*

1. LTIFR is a frequency rate that shows how many lost time injuries (LTIs) occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFR is calculated as multiplying the number of lost time injuries of our Group happened in the calendar year by 1,000,000 and then dividing by the number of hours worked by the workers over that calendar year.
2. Our LTIs were determined based on payroll record of our Group.
3. The number of working days of workers for 2012, 2013, 2014 and 2015 (from 1 January to 30 June (both days inclusive)) were approximately 43,916 days, 49,575 days, 52,614 days and 23,861 days respectively. It is assumed that the working hour of each worker is ten hours per day.

For the calendar years 2012, 2013, 2014 and 2015 (from 1 January to 30 June (both days inclusive)), we experienced drops of accident rates and LTIFRs. Our Directors believe that it was primarily due to two factors: (i) decrease of number of work injuries resulting in total or partial incapacity of our employees for a period of exceeding 3 days, which was mainly attributable to our increased awareness to work safety; and (ii) increase of number of our construction site employees.

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

Accident prevention in work place is our focus. We found that nature of work injuries during the Track Record Period generally included sprain and strain, laceration and cut, or contusion and bruise. We have not experienced in any significant incidents or accidents in relation to work safety. In view of our relatively higher accident rate than the construction industry average accident rate during the Track Record Period, on 1 September 2014, we engaged an external safety consultant, an Independent Third Party, to have comprehensive safety review on our existing safety management system.

The objectives of engagement of our external safety consultant are in two-fold: (i) to assist us to review our existing occupational safety and health management system (“OSHMS”) with particular emphasis for implementing safe working procedures, training of operational staff for safety for the specific needs of our business; and (ii) to provide recommendation on the OSHMS to enhance workplace safety by proactive and systematic approach for continual improvement with focus on accident prevention including:

- Advising us as to measures to be taken in the interest of safety and health of our employees and implementing such measures;
- Advising and assisting on the implementation of a safety management system;
- Inspecting the workplace to identify potential hazards in order to prevent accident;
- Advising us of any repair or maintenance in respect of premises, plant and equipment; and
- Investigating accidents or incidents to find out the cause of any accident or incident and to develop prompt arrangements to prevent recurrence.



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The following sets out the major OSHMS measures implemented by us pursuant to the recommendation of our external safety consultant:

<b>Relevant type of work injury</b>	<b>Safety measures and requirements</b>
Contusion and bruise injury caused by operating heavy machinery	In-house safety rules are developed and all workers are required to strictly follow the standard procedures. Only qualified, competent and trained workers are allowed to operate the heavy machinery. We also provide awareness training to supervisory staff to enforce their skills and knowledge in monitoring and improving the workplace safety and health in November 2014.
Sprain and strain injury caused by manual handling	Manual handling occurs in almost all working environments especially in the construction industry. Work-related low back pain and injuries happened. We provide information and specific training to workers on tasks, and the correct use of equipment and correct handling techniques in November 2014, December 2014 and January 2015.
Laceration and cut, contusion and bruise injury caused by lifting operation	In-house safety rules are developed and all workers are required to strictly follow the standard procedures. All workers who are required to operate the lifting appliance have received appropriate training on general safe lifting operations in November 2014 and January 2015. All lifting appliance have regular maintenance, to ensure they always keep in good operating condition. All workers should wear proper personal protective equipment including, safety helmets, reflective vest, safety footwear and safety gloves.

In addition, to enhance our OSHMS, we have provided awareness training to supervisory staff to enforce their skills and knowledge on safety management system. Our front line supervisors are also required to carry out safety observations with record to show their involvement. As at the Latest Practicable Date, we had two registered safety officers for Wan Kei Engineering and Chung Shun respectively.

Since the engagement of our external safety consultant on 1 September 2014, we have recorded three work injuries of our employees and two work injuries of our sub-subcontractor's employees up to the Latest Practicable Date. As such, our accident rate for the period from 1 September in 2014 to 30 June 2015 was 14.0 per 1,000 workers, which is significantly lower than the accident rate of 110.0 per 1,000 workers for the corresponding period in from 1 September in 2013 to 30 June 2014.

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Having considered (i) that the safety consultant engaged by our Group is on full-time basis, is a registered safety officer in Hong Kong, has a degree of bachelor of science in the field of computer science granted from Coventry University, has a diploma in occupational health and safety granted by Li Ka Shing Institute of Professional and Continuing Education, The Open University of Hong Kong, and has experience of three years in occupational safety and health; and (ii) the reduction in our accident rate, our Directors are of the view, and the Sole Sponsor concurs with their view, that the additional work safety measures are adequate and effective in reducing the frequency of accidents at construction sites.

### INSURANCE

Our Directors confirmed that during the Track Record Period, all our foundation works projects were covered and protected by the employees' compensation insurance and contractor's all risks insurance taken out by the employer of the construction project or 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. For ground investigation field works, we are generally engaged as the main contractor and obliged to maintain insurance policy to cover accidents and injuries happened in the relevant construction site.

We maintain insurance policies to protect our offices and warehouses against a range of contingencies, including, among others, loss and theft of, and damage to, our property, machinery, equipment, and inventory. We also maintain personal injury insurance and work-related injury insurance for our Directors and employees working in our offices and warehouses. For machines acquired under finance leases or mortgages, the banks also require us to maintain insurance coverage over those machines.

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. For each of the three years ended 31 March 2015, our insurance expenses were approximately HK\$0.7 million, HK\$0.9 million and HK\$1.1 million 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 which may arise as a result of any work injuries, outstanding litigations and claims, and non-compliances of our Group on or before the date on which the Global Offering becomes unconditional. Further details of the Deed of Indemnity are set out in the paragraph headed "Statutory and General Information – E. Other Information – 1. Tax and other indemnities" in Appendix IV to this prospectus.

**Legal proceedings**

As at the Latest Practicable Date, 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.

Set out below are the details of the outstanding litigation and claims involved by us as at the Latest Practicable Date, in connection with employees' compensation, personal injuries, negligence and contract claims as well as certain criminal charges arising out of our ordinary and usual course of business, which are considered by our Directors to have no material impact on us.

***Civil litigations as at the Latest Practicable Date***

<b>Nature of the claims</b>	<b>Date of the incident</b>	<b>Plaintiff(s)/ Applicant(s)</b>	<b>Defendant(s)/ Respondent(s)</b>	<b>Amount/estimated quantum of damages claimed</b>	<b>Status</b>
An employee of a subcontractor of Wan Kei Engineering suffered from left middle finger injury (pulp loss) while carrying out the work of rigging the casing at a construction site. The injured individual made an application under the Employees' Compensation Ordinance.	18 June 2014	The injured individual	Wan Kei Engineering as 1st respondent, and another Independent Third Party as 2nd respondent.	Compensation under the Employees' Compensation Ordinance, plus interest and cost.	The claim has been passed to the main contractor and its insurer for further action.
An employee of a subcontractor of Wan Kei Engineering suffered back, pelvis, bladder and lung injuries while inserting a pin lock onto an outrigger and was hit from the back by a falling rotator. The injured individual made an application under the Employees' Compensation Ordinance.	28 August 2013	The injured individual	Wan Kei Engineering was a subcontractor of the 2nd respondent.  An Independent Third Party as 1st respondent, Wan Kei Engineering as 2nd respondent, and another Independent Third Party as 3rd respondent.  The 1st respondent was a subcontractor of Wan Kei Engineering, which was a subcontractor of the 3rd respondent.	Compensation under the Employees' Compensation Ordinance, plus interest and cost.	The claim has been passed to the main contractor and its insurer for further action.

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Nature of the claims	Date of the incident	Plaintiff(s)/ Applicant(s)	Defendant(s)/ Respondent(s)	Amount/estimated quantum of damages claimed	Status
<p>The injured individual, who was an employee of Wan Kei Engineering's subcontractor, sustained bone fracture at right shank and abrasion at forehead whilst working at the back of a piling rig and the air hose that supplied compressed air to the piling rig burst.</p> <p>The injured individual has (i) made an application under the Employees' Compensation Ordinance (the "First Claim"); and (ii) filed a personal injury claim (the "Second Claim").</p>	25 January 2013	The injured individual	<p>Wan Kei Engineering as 1st respondent; an Independent Third Party, as 2nd respondent. The 2nd respondent was the main contractor.</p> <p>Wan Kei Engineering was a subcontractor of the 2nd respondent.</p>	<p>(i) HK\$424,734.00 for the First Claim</p> <p>(ii) HK\$2,786,380.60 for the Second Claim</p>	<p>(i) The First Claim was settled.</p> <p>(ii) The insurer has taken over conduct of the proceedings.</p>
<p>An employee of Wan Kei Engineering's subcontractor suffered injuries to his right hand and left foot whilst cleaning a steel pipe which detached due to mal installation of the pipe by the main contractor's casual workers. The injured individual has (i) made an application under the Employees' Compensation Ordinance; and (ii) filed a common law claim (the "Common Law Claim").</p>	22 October 2012	The injured individual	<p>Wan Kei Engineering as 1st respondent; an independent third party as 2nd respondent. The 2nd respondent was the main contractor. Wan Kei Engineering was a subcontractor of the 2nd defendant.</p>	<p>(i) HK\$272,744 for the action under the Employee's Compensation Ordinance.</p> <p>(ii) damages plus interest and lost claimed for the Common Law Claim.</p>	<p>(i) The action under the Employees' Compensation Ordinance was settled.</p> <p>(ii) The Common Law Claim had been passed to the main contractor for further action.</p>
<p>An employee of Wan Kei Engineering was assigned to assist in repairing a crane located in the relevant construction site. When the employee was trying to climb onto the chain wheel of the crane, he fell to the ground and sustained back injury as a result. The injured employee made an application under the Employees' Compensation Ordinance.</p>	4 August 2012	The injured employee	<p>Wan Kei Engineering as 1st respondent; an Independent Third Party, as 2nd respondent. The 2nd respondent was the main contractor. Wan Kei Engineering was a subcontractor of the 2nd respondent.</p>	<p>Compensation under sections 9, 9A, 10 and 10A of the Employees' Compensation Ordinance, plus interests and costs claimed.</p>	<p>The insurer has taken over conduct of the proceedings.</p>

Nature of the claims	Date of the incident	Plaintiff(s)/ Applicant(s)	Defendant(s)/ Respondent(s)	Amount/estimated quantum of damages claimed	Status
<p>As a Tuen Mun light rail train arrived at Tin King light rail station, a crane on the relevant construction site collapsed, fell and hit the roof of the said light rail train. As a result, a passenger who was inside the passenger compartment of the light rail train was hit by a piece of metal object from the collapse of the crane and suffered head injury. The injured passenger filed a personal injury claim.</p>	<p>9 September 2010</p>	<p>The injured passenger</p>	<p>Wan Kei Engineering as 2nd defendant; two Independent Third Parties as 1st and 3rd defendants. The 1st defendant was the main contractor. Wan Kei Engineering and the 3rd defendant were the contractors of the 1st defendant.</p>	<p>HK\$15,000 plus future medical expenses, interest and costs claimed.</p>	<p>The insurer's legal adviser has taken over the conduct of the proceedings for Wan Kei Engineering.</p>
<p>Chung Shun was engaged as a sub-subcontractor for certain ground investigation field works near North Point. Chung Shun further subcontracted part of the works to another sub-subcontractor. The main contractor had made use of the data produced from the ground investigation field works, but Chung Shun had not received the agreed fees from the main contractor or the subcontractor. The sub-subcontractor filed a claim in relation to the subcontract.</p>	<p>October 2003</p>	<p>The sub-subcontractor</p>	<p>Chung Shun, the main contractor and the subcontractor, which are both Independent Third Parties, as the defendants.</p>	<p>HK\$251,919,26 plus interest and costs claimed.</p>	<p>The Plaintiff's statement of claim was struck out by the Court on 20 January 2006. The Plaintiff did not appeal against the order and has not filed a new statement of claim.</p> <p>As advised by our Legal Counsel, the action remains in the Court's file unless Chung Shun applies for striking out of the Plaintiff's claim for want of prosecution.</p> <p>Considering that the leave for the Plaintiff to file a new statement of claim was given in 2006 and since then there has been inaction on the part of the Plaintiff, our Legal Counsel takes the view that the chance that the Plaintiff may reinstate the action by trying to file a new statement of claim is not high.</p>

<b>Nature of the claims</b>	<b>Date of the incident</b>	<b>Plaintiff(s)/ Applicant(s)</b>	<b>Defendant(s)/ Respondent(s)</b>	<b>Amount/estimated quantum of damages claimed</b>	<b>Status</b>
Chung Shun was engaged as a building contractor, occupying and undertaking construction work at a site of a public utility company near Tai Po. In the course of carrying out excavation work at the site, Chung Shun, its servants or agents damaged an electricity cable owned by the public utility company laid under the site. The public utility company filed a claim for negligence in relation to the excavation works carried out by Chung Shun.	The claim was filed on 24 October 2000.	The public utility company	Chung Shun	HK\$525,854.00 plus interest and costs claimed.	As advised by our Legal Counsel, given that no further action has been taken by either party after the filing of the defence by Chung Shun on 28 November 2000, our Legal Counsel takes the view that the chance that the Plaintiff may reinstate the action by trying to file a new statement of claim is not high.

***Criminal litigation as at the Latest Practicable Date***

<b>Nature of the charges</b>	<b>Date of the incident</b>	<b>Defendant</b>	<b>Status</b>
Wan Kei Engineering was charged by the Labour Department for failing to: (i) provide and maintain such system of work for erection of the pile driver, and (ii) provide such information, instruction and training, as required under the Factories and Industrial Undertakings Ordinance as a proprietor of the industrial undertaking; and (iii) ensure that the lifting appliance was erected under the supervision of a competent person, and (iv) ensure that no load was left suspended from the lifting appliance unless a competent person was in charge of the lifting appliance during the period of suspension, as required under the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations under the Factories and Industrial Undertakings Ordinance as an owner of a lifting appliance, respectively.	28 August 2013	Wan Kei Engineering	Wan Kei Engineering pleaded not guilty to the charges. The charges were then brought up for mention on 7 May 2015 at 3:30 p.m. They were adjourned to 11 August 2015 at 2:30 p.m. for pre-trial review at the Kowloon City Magistrate.  As advised by our Legal Counsel, in relation to charges (i) and (ii), the maximum penalty for each of them under the Factories and Industrial Undertakings Ordinance is a fine of HK\$500,000. In relation to charges (iii) and (iv), the maximum penalty for each of them under the Factories and Industrial Undertakings (Lifting Appliances and Lifting Gear) Regulations is a fine of HK\$200,000.  As advised by our Legal Counsel, no imprisonment sentence is imposed under the relevant laws and regulations for the charges stated above, and it is very rare for the Court to impose maximum fine unless it considers the offences are the worst of the type.

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### Legal compliance

Our Directors confirm that save as disclosed below under this paragraph headed “Business – Legal Proceedings and Legal Compliance – Legal compliance”, we have complied with all applicable laws and regulations in all material respects in Hong Kong (being the principal jurisdiction in which we operate) during the Track Record Period and up to the Latest Practicable Date.

#### *Non-compliance with Government leases, Buildings Ordinance, Building (Construction) Regulations and occupation permit*

Set out below are non-compliance of Wan Kei Engineering and Chung Shun with certain Government leases, Buildings Ordinance, Building (Construction) Regulations (Chapter 123B of the Laws of Hong Kong) (“BCR”) and occupation permit:

Relevant section of the ordinance	Particulars of the non-compliance	Reason(s) for the non-compliance	Remedial action	Estimated/actual fine/penalty
Section 25(1) of the Buildings Ordinance	<p>Wan Kei Engineering and Chung Shun rented two units in an industrial building located in Mong Kok as offices (“Premises 1”) as at the Latest Practicable Date.</p> <p>Under the relevant occupation permit, the permitted use of Premises 1 is restricted to workshop for non-domestic uses.</p> <p>As Premises 1 was used by Wan Kei Engineering and Chung Shun as offices during the material time, and the Building Authority was not notified regarding the change of use, there was a breach of the conditions imposed by the relevant occupation permit and section 25(1) of the Buildings Ordinance.</p>	<p>The breach was not wilful and was due to the inadvertent oversight of our administrative staff and absence of timely and professional advice at the material time. Our Directors had no direct or wilful involvement in the breach.</p>	<p>Upon discovery of such non-compliance by our Directors in around August 2014, we immediately remedied such breach by changing the use of Premises 1 to that of workshop to comply with the relevant occupation permit.</p>	<p>Each of Wan Kei Engineering and Chung Shun is liable to a maximum fine of HK\$100,000 and their directors are liable to a maximum fine of HK\$100,000 and imprisonment of two years maximum.</p> <p>Given that the breach has been remedied and there is no evidence that the previous breach endangered the public, our Legal Counsel is of the view that the chance of prosecution of the previous breach is quite remote.</p>



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Relevant section of the ordinance	Particulars of the non-compliance	Reason(s) for the non-compliance	Remedial action	Estimated/actual fine/penalty
Regulation 90 of the BCR	As the partition wall between certain parts of Premises 1 and the smoke lobby has been removed for the encroachment of the smoke lobby by Premises 1, there was a breach of the Code of Practice of Fire Safety 2011 issue for the compliance of Regulation 90 of the BCR.	The breach was not wilful and was due to the inadvertent oversight of our administrative staff and absence of timely and professional advice at the material time. Our Directors had no direct or wilful involvement in the breach.	Upon discovery of such non-compliance by our Directors in around August 2014, we immediately remedied such breach by reinstating the smoke lobby.	Given that the breach has been remedied, our Legal Counsel is of the view that there is no longer any non-compliance issue, and there will not be any action for the previous breach.
Regulation 90 of the BCR	<p>Wan Kei Engineering and Chung Shun rented a parcel of land located in Yuen Long (“<b>Subject Land 1</b>”) for its use of open storage of construction plant as at the Latest Practicable Date. Among others, a security guard watch tower was erected on Subject Land 1 (“<b>Tower</b>”).</p> <p>Under the relevant block Government lease, Subject Land 1 is allowed to be used as Padi (Agriculture). Under a short term waiver granted by the Government, the height of each of the structures erected on Subject Land 1 should not exceed certain height above the level of the ground on which it is erected.</p> <p>As the building height of the Tower exceeded the maximum height as permitted under the short term waiver, there was a breach of the relevant block Government lease and the short term waiver.</p>	The breach was not wilful and was due to the inadvertent oversight of our plant staff and absence of timely and professional advice at the material time. Our Directors had no direct or wilful involvement in the breach.	Upon discovery of such non-compliance by our Directors in around August 2014, we immediately remedied such breach by rebuilding the Tower to conform to the height restriction.	<p>According to the relevant block Government lease, the Government is entitled to re-enter the Subject Land 1 and claim damages against the respective owners. If the occupier fails to quit or vacate Subject Land 1 upon receiving notice of re-entry from the Government, he may also be liable to civil claim by the Government for damages.</p> <p>As advised by our Legal Counsel, since there is no longer any breach on the block Government lease and the short term waiver, the risk of any enforcement action by the Government for the previous breach is quite remote.</p>



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Relevant section of the ordinance	Particulars of the non-compliance	Reason(s) for the non-compliance	Remedial action	Estimated/actual fine/penalty
Section 25(1) of the Buildings Ordinance	<p>Chung Shun rented two units on different floors of an industrial building located in Kwai Chung, New Territories (“<b>Premises 2 and 3</b>”) as warehouses as at the Latest Practicable Date.</p> <p>Under the relevant occupation permit, the permitted use of Premises 2 and 3 is restricted to workshop for non-domestic uses.</p> <p>As Premises 2 and 3 were used by Chung Shun as warehouses during the material time, and the Building Authority was not notified regarding the change of use, there was a breach of the conditions imposed by the relevant occupation permit and section 25(1) of the Buildings Ordinance.</p>	<p>The breach was not wilful and was due to the inadvertent oversight of our administrative staff and absence of timely and professional advice at the material time. Our Directors had no direct or wilful involvement in the breach.</p>	<p>Upon discovery of such non-compliance by our Directors in around August 2014, we immediately remedied such breach by changing the use of Premises 2 and 3 to that of workshop to comply with the relevant occupation permit.</p>	<p>Chung Shun is liable to a maximum fine of HK\$100,000 and its directors are liable to a maximum fine of HK\$100,000 and imprisonment of two years maximum.</p> <p>Given that the breach has been remedied and there is no evidence that the previous breach endangered the public, our Legal Counsel is of the view that the chance of prosecution of the previous breach is quite remote.</p>

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### *Non-compliance with the Predecessor Companies Ordinance and Companies Ordinance*

Our Directors confirm that they were aware of the occurrence of certain non-compliances of our Group with the Predecessor Companies Ordinance in respect of matters including among others, timely adoption of audited accounts, failure to convene annual general meetings within the prescribed time and late filing of annual returns and various forms of notice. As advised by our Legal Counsel, those non-compliance incidents are time barred by the time limit for prosecution of three years under both Predecessor Companies Ordinance and Companies Ordinance. Taking into account the above and the fact that any loss, fee, expense and penalty of our Group in relation to non-compliance matters will be fully indemnified by our Controlling Shareholders, our Directors consider that the impact of them would be immaterial upon our Group. Save as the aforesaid, set out below are non-compliance of Wan Kei Machinery, Chung Shun and Wan Kei Engineering with the Predecessor Companies Ordinance and Companies Ordinance, which was not time barred as at the Latest Practicable Date:

<b>Relevant section of the ordinance</b>	<b>Particulars of the non-compliance</b>	<b>Reason(s) for the non-compliance</b>	<b>Remedial action</b>	<b>Estimated/actual fine/penalty</b>
Sections 111 and 122 of the Predecessor Companies Ordinance	Wan Kei Machinery had failed to lay its profit and loss accounts and balance sheets at its respective annual general meetings within the prescribed time limit in 2012, 2013 and 2014.	The omission was not wilful and was due to the inadvertent oversight of our staff responsible for supervision on secretarial matters and the absence of timely and professional advice at the material time. Our Directors had no direct or wilful involvement in the breach.	The audited accounts were laid before the annual general meeting subsequently held.  Our Group had also sought legal advice on whether relief can be obtained from the Court. As advised by our Legal Counsel, based on the recent judgments of the Companies Court, the Court will not grant relief under section 122 of the Predecessor Companies Ordinance because the Court is of the view that such relief has no practical purpose in the context of listing application.	Under the Predecessor Companies Ordinance, the maximum penalty to each offence is HK\$300,000 and imprisonment for 12 months, and imprisonment of the wilful defaulting directors can only be ordered if the Court thinks that the offence was committed wilfully.  As advised by our Legal Counsel, even if there is any prosecution, the chance of an imprisonment sentence being imposed is low.

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Relevant section of the ordinance	Particulars of the non-compliance	Reason(s) for the non-compliance	Remedial action	Estimated/actual fine/penalty
Section 107 of the Predecessor Companies Ordinance	Wan Kei Machinery had failed to include the total amounts of the indebtedness of the company in respect of all mortgages and charges which are required to be registered with the Companies Registry in the annual returns of the years from 1999 to 2014.	The omission was not wilful and was due to the inadvertent oversight of our staff responsible for supervision on secretarial matters and the absence of timely and professional advice at the material time. Our Directors had no direct or wilful involvement in the breach.	The amended forms were duly filed on 5 January 2015.	<p>Under the Predecessor Companies Ordinance, Wan Kei Machinery and every responsible person for Wan Kei Machinery commit an offence, and the maximum principle fine is HK\$50,000 and a maximum daily fine is of HK\$700 for each offence under the Twelfth Schedule of the Predecessor Companies Ordinance.</p> <p>As advised by our Legal Counsel, it is a continuation offence but due to the time limit for prosecution of three years, Wan Kei Machinery and its directors in default can only be prosecuted for a period of three years for each offence.</p> <p>As advised by our Legal Counsel, given it was just an inadvertent mistake and amended forms have been filed, the chance of prosecution is remote.</p>

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Relevant section of the ordinance	Particulars of the non-compliance	Reason(s) for the non-compliance	Remedial action	Estimated/actual fine/penalty
<p>Section 628 of the Companies Ordinance and section 95 of the Predecessor Companies Ordinance</p>	<p>Wan Kei Machinery and Chung Shun had failed to inform the Companies Registry of the change of location of their registers of members within the prescribed time limit in 2003.</p> <p>Wan Kei Engineering had failed to inform the Companies Registry of the change of location of its register of members within the prescribed time limit in 1997 and 2003.</p>	<p>The omission was not wilful and was due to the inadvertent oversight of our staff responsible for supervision on secretarial matters and the absence of timely and professional advice at the material time. Our Directors had no direct or wilful involvement in the breach.</p>	<p>Amended forms were filed on 5 December 2014.</p>	<p>Under the Predecessor Companies Ordinance, Wan Kei Machinery, Chung Shun, Wan Kei Engineering and every officer who was in default shall be liable for a maximum principle fine of HK\$25,000 and a maximum daily default of HK\$700. The penalties are the same under the Companies Ordinance.</p> <p>As advised by our Legal Counsel, they are continuation offences but are subject to the three years' time limit for prosecution. Hence, Wan Kei Machinery, Chung Shun, Wan Kei Engineering and the directors in default can only be prosecuted for a period of three years for each offence.</p> <p>As advised by our Legal Counsel, given they were just inadvertent mistakes, the chance of prosecution is low.</p>

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Relevant section of the ordinance	Particulars of the non-compliance	Reason(s) for the non-compliance	Remedial action	Estimated/actual fine/penalty
Sections 645 and 652 of the Companies Ordinance and section 158 of the Predecessor Companies Ordinance	<p>Chung Shun and Wan Kei Engineering had failed to inform the Companies Registry of the change of address of its officers within the prescribed time limit in 1996 and 2000.</p> <p>Wan Kei Machinery had filed to inform the Companies Registry of the change of address of its officer within the prescribed time limit in 2000.</p>	<p>The omission was not wilful and was due to the inadvertent oversight of our staff responsible for supervision on secretarial matters and the absence of timely and professional advice at the material time. Our Directors had no direct or wilful involvement in the breach.</p>	<p>The relevant forms were filed on 5 December 2014, 28 January 2015 and 4 February 2015.</p>	<p>Under the Predecessor Companies Ordinance, Chung Shun, Wan Kei Engineering, Wan Kei Machinery and every officer who was in default shall be liable to a maximum principle fine of HK\$10,000 and a maximum daily default fine of HK\$300. Under the Companies Ordinance, the penalties are increased to HK\$25,000 for the maximum principle fine and HK\$700 for the maximum daily default fine.</p> <p>As advised by our Legal Counsel, the chance of prosecution for those breaches in the past which have already been remedied is low.</p>

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Relevant section of the ordinance	Particulars of the non-compliance	Reason(s) for the non-compliance	Remedial action	Estimated/actual fine/penalty
Section 662 of the Companies Ordinance	Wan Kei Engineering had failed to include the location of its register of members in the annual return of 2014.	The omission was not wilful and was due to the inadvertent oversight of our staff responsible for supervision on secretarial matters and the absence of timely and professional advice at the material time. Our Directors had no direct or wilful involvement in the breach.	Amended form was filed on 5 December 2014.	<p>Under the Companies Ordinance, Wan Kei Engineering and every responsible person are liable to a maximum principle fine of HK\$50,000 and a maximum daily default fine of HK\$1,000.</p> <p>As advised by our Legal Counsel, it is a continuation offence but due to the time limit for prosecution of three years, Wan Kei Engineering and the responsible person can only be prosecuted for a period of three years for the offence.</p> <p>As advised by our Legal Counsel, given it was just an inadvertent mistake and no action has been taken so far and amended forms have been filed, the chance of prosecution is low.</p>

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### *Non-compliance with the Inland Revenue Ordinance*

Set out below are non-compliance of Wan Kei Engineering and Chung Shun with the Inland Revenue Ordinance (Chapter 112 of the Laws of Hong Kong) (“**IRO**”):

Relevant section of ordinance	Particulars of the non-compliance	Reason(s) for the non-compliance	Remedial action	Estimated/actual fine/penalty
Sections 52(4) and 52(5) of the IRO	<p>Wan Kei Engineering and Chung Shun failed to give the required notice (Form 56E) under the IRO to the Commissioner of Inland Revenue not later than three months after the date of commencement of employment of an individual concerning 126 employees and 2 employees, respectively, from 2008 to 2014.</p> <p>Wan Kei Engineering and Chung Shun failed to give the required notice (Form 56F) to the Commissioner of Inland Revenue not later than one month before ceasing to employ an individual concerning 32 employees and 3 employees, respectively, from 2008 to 2014.</p>	<p>The omission was not wilful and was due to the inadvertent oversight of our accounting staff and the absence of timely and professional advice at the material time. Our Directors had no direct or wilful involvement in the breach.</p>	<p>The relevant forms 56E have been filed in around November 2014. Our Group was informed by the Inland Revenue Department not to file the forms 56F as remedial action. As at the Latest Practicable Date, we had not received any request of the Inland Revenue Department for filing of the relevant Form 56F.</p>	<p>Section 80 of the IRO provides that any person without reasonable excuse fails to comply with sections 52(4) or 52(5) of the IRO shall be guilty of an offence and the maximum penalty for each offence is HK\$10,000.</p> <p>Under section 80(3) of the Inland Revenue Ordinance, the time limit of prosecution of this kind of defaults is either in the year of assessment in respect of or during which the offence was committed or within 6 years after the expiration thereof.</p> <p>As advised by our Legal Counsel, the offence is quite minor and technical in nature, and since the Inland Revenue Department was aware of the employment affairs of Wan Kei Engineering and Chung Shun from the employer’s return of remuneration and pensions and the list of employee which had been duly filed by us, prosecution under these circumstances is uncommon so the chance of prosecution is remote.</p>

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### *Non-compliance with the Mandatory Provident Fund Schemes Ordinance*

Set out below are non-compliance of Wan Kei Engineering and Chung Shun with the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) (“MPFSO”):

<b>Relevant section of the ordinance</b>	<b>Particulars of the non-compliance</b>	<b>Reason(s) for the non-compliance</b>	<b>Remedial action</b>	<b>Estimated/actual fine/penalty</b>
Section 7A of the MPFSO	There were a number of our employees and ex-employees who were all casual workers on a daily salary basis mistakenly entered into a written contracts of employment setting out that they were employed for a period of 12 months. Since our position is that only causal workers were employed, so for MPF contribution, the amount paid was and still is not 5% of the monthly income but rather a lower rate applicable to causal workers under section 2(2) MPFSO.	The omission was not wilful and was due to the inadvertent oversight of our human resource staff who used the incorrect template of employment contract for fixed employment period of 12 months, instead of for our casual workers on a daily salary basis, due to the absence of timely and professional advice at the material time. Our Directors had no direct or wilful involvement in the breach.	Upon discovery of the breach, we have corrected the mistakes by inviting our employees and ex-employees to sign deeds of rectification to confirm, clarify and rectify their employment status as our casual workers on a daily salary basis. Save and except there were 14 ex-employees we failed to contact with and so could not sign the deeds of rectification, the rest of our employees and ex-employees have signed the deeds of rectification. As advised by our Legal Counsel, with the deeds of rectification, our previous MPF contributions were justified and complied with section 2(2) MPFSO.	Each of Wan Kei Engineering and/or its directors may be subject to:  A fine up to HK\$100,000 and imprisonment for 6 months on the first occasion on which the person is convicted of the offence and a fine up to HK\$200,000 and imprisonment for 1 year on each subsequent conviction of the offence.  As advised by our Legal Counsel, given that payments of the differences were made, and the MPF Authority was informed about the situation, the chance of prosecution was not high and even if there is any prosecution and assuming we are convicted, the chance of imprisonment is low.



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Relevant section of the ordinance	Particulars of the non-compliance	Reason(s) for the non-compliance	Remedial action	Estimated/actual fine/penalty
			Without admission of any criminal liability in failing to comply with section 7A MPFSO, we informed the MPF Authority of the situation. We subsequently made payments for the difference in MPF contributions for those 14 ex-employees, in aggregate at the total sum of around HK\$4,800 in January 2015.	

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Relevant section of the ordinance	Particulars of the non-compliance	Reason(s) for the non-compliance	Remedial action	Estimated/actual fine/penalty
Section 7A of the MPFSO	The amount of MPF contribution paid to 15 employees of Chung Shun was lower than the maximum MPF contribution or 5% of the monthly income (whichever is lower).	The omission was not wilful and was due to the inadvertent oversight of our accounting staff who did not take into account part of the remuneration of those employees in the MPF calculation due to lack of timely and professional advice at the material time. Our Directors had no direct or wilful involvement in the breach.	Upon discovery of the breach, we have made up the difference in MPF contributions for those 15 employees of Chung Shun, in aggregate at the total sum of HK\$121,132 in February 2015.	<p>Each of Chung Shun and/or its directors may be subject to:</p> <p>A fine up to HK\$100,000 and imprisonment for 6 months on the first occasion on which the person is convicted of the offence and a fine up to HK\$200,000 and imprisonment for 1 year on each subsequent conviction of the offence.</p> <p>As advised by our Legal Counsel, the chance of prosecution was not high and even if there is any prosecution and assuming we are convicted, the chance of imprisonment is low.</p>

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### *Non-compliance with the Employees' Compensation Ordinance*

Set out below are non-compliance of Wan Kei Engineering with the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) ("ECO"):

Relevant section of ordinance	Particulars of the non-compliance	Reason(s) for the non-compliance	Remedial action	Estimated/actual fine/penalty
Section 15(1A) of the ECO	<p>Under section 15(1A) of the ECO, we have the duty to report work injuries of our employees to the Commissioner of Labour.</p> <p>There are 54 cases of work injuries of our employees which were not reported to the Commissioner of Labour.</p>	<p>The breach was not wilful and was due to the inadvertent oversight of our administrative staff who had mistakenly believed that work injury with mutual settlement was not required to be reported to the Commissioner of Labour due to lack of timely and professional advice at the material time. Our Directors had no direct or wilful involvement in the breach.</p>	<p>Not applicable as advised by our Legal Counsel, unlike certain statutory non-compliances such as failure to lay audited accounts and balance sheet under the Companies Ordinance, which can be remedied by the sanction of the Court, the requirement of notice of accident under ECO has no statutory scheme prescribed to remedy such non-compliance and such liability is not absolvable. Despite that, Wan Kei Engineering has filed 18 notices of work accident in relation to 54 cases of the unreported work injuries to the Commissioner of Labour on 14 April 2015. Wan Kei Engineering is unable to file notices of work accident in relation to the remaining unreported work injuries as not being able to complete the relevant notices by providing correctly verified information and details required therein due to lapse of time.</p>	<p>Under section 15(6) of the ECO, if there is no reasonable excuse, failure to give such notice will result in criminal liability on the part of Wan Kei Engineering and it is liable to a maximum fine of HK\$50,000.00.</p> <p>As advised by our Legal Counsel, it is difficult to ascertain the likelihood of Wan Kei Engineering being subject to prosecution as it is at the discretion of the Commissioner of Labour. However, there is no imprisonment sentence to be imposed on the directors of Wan Kei Engineering and the only criminal liability applicable to Wan Kei Engineering is imposing fines. The maximum potential liability to be incurred by Wan Kei Engineering is HK\$2,700,000. As advised by our Legal Counsel, the chance of the court imposing maximum penalty on Wan Kei Engineering is highly unlikely since it is only for the worst type of case. If there is no prejudice to the entitlements of the injured workers, our Legal Counsel does not think they are the worst type of cases. Further, upon a guilty plea, the court is bound to give a one third discount to sentence.</p>

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### *Non-compliance with the Complementary Tax Regulation 《所得補充稅章程》*

Set out below is non-compliance of Wan Kei (Macau) with the Complementary Tax Regulation 《所得補充稅章程》 (“CTR”):

Relevant section of ordinance	Particulars of the non-compliance	Reason(s) for the non-compliance	Remedial action	Estimated/actual fine/penalty
Section 64 of the CTR	<p>In around March 2014, Wan Kei (Macau) submitted certain information based on the estimated financial information in accordance with the Macau GAAP for the financial year ended 31 December 2013 in relation to its complementary tax (B class) to the Finance Department of the government of Macau. After the assessment, the assessable profit was MOP\$1,061,900 and the relevant complementary tax payable was MOP\$91,428, which was fully settled in around August 2014.</p> <p>Nevertheless, it was subsequently discovered that the information submitted in around March 2014 was incomplete and inaccurate. The assessable profit of Wan Kei (Macau) for the financial year ended 31 December 2013 should be MOP\$10,294,489.82. It is mainly because (i) the actual cost incurred by Wan Kei (Macau) was lower resulting in the increased profit at around MOP\$6 million generally due to, as confirmed by our Directors, the situation that the project proceeded smoothly and efficiently resulting in the decreased actual cost incurred including the sub-subcontracting cost; and (ii) Wan Kei (Macau) mistakenly treated its sub-subcontracting costs and rental costs, at the total sum of around MOP\$4 million, as tax deductible items.</p>	<p>The shortfall of cost incurred was due to the situation that the project proceeded smoothly and efficiently resulting in the decreased actual cost incurred including the sub-subcontracting cost, and the mistake on tax deductible items was not willful. Our Directors had relied on the advice of our external Macau accountants for filing to the Macau authority. Our Directors had no direct or wilful involvement in the breach.</p>	<p>By a letter dated 18 December 2014, Wan Kei (Macau) voluntarily informed the Finance Department of the government of Macau in writing about the relevant shortfall and mistake, and indicated its willingness to repay the additional complementary tax as a result thereof.</p> <p>As advised by our legal advisers as to Macau law, with the revised assessable profit, Wan Kei (Macau) may need to pay an additional complementary tax at around MOP\$1.07 million, subject to the assessment of the Finance Department of the government of Macau. Accordingly, we have made the relevant tax provision.</p>	<p>As advised by our legal advisers as to Macau law, Wan Kei (Macau) would be subject to a fine from MOP\$100 to MOP\$10,000. In addition, if it was held that Wan Kei (Macau) deliberately submitted incomplete and inaccurate information, then directors of Wan Kei (Macau) could be liable to imprisonment from one to five years.</p> <p>As advised by our legal advisers as to Macau law, since it was a non-wilful mistake of Wan Kei (Macau) of submitting incomplete and inaccurate information and the mistake had been voluntarily reported to the relevant Macau authority by us, prosecution action by relevant authorities against then directors of Wan Kei (Macau) is unlikely.</p>

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### INTERNAL CONTROL MEASURES

#### Internal control measures to prevent the recurrence of non-compliance incidents

1. We have engaged Kingsway Capital Limited as our compliance adviser upon Listing to advise us on compliance matters under the Listing Rules.
2. On 9 May 2015, we established a legal compliance committee (the “Legal Compliance Committee”) for the purpose of assisting in overseeing our compliance with laws and regulations relevant to our operations as well as the adequacy and effectiveness of our regulatory compliance procedures and system. The Legal Compliance Committee comprises (i) Mr. WS Lau, our Chairman and our executive Director, (ii) Mr. Ling Yat Hin, our company secretary, and (iii) Mr. Law Yiu Sing, our independent non-executive Director. Please refer to the section headed “Directors, Senior Management and Staff” in this prospectus for further details on the qualifications and experience of the members of the Legal Compliance Committee. The Legal Compliance Committee shall:
  - review the effectiveness of our regulatory compliance procedures and system, which will cover all material procedures, including operational and compliance procedures and risk management functions, and consider the adequacy of resources, staff qualifications and experience, training programmes and budget of our regulatory compliance function;
  - advise our audit committee in overseeing our corporate governance functions which include (i) developing and reviewing our policies and practices on corporate governance and make recommendations to our audit committee on a quarterly basis, (ii) reviewing and monitoring the training and continuous professional development of our Directors and senior management; (iii) reviewing and monitoring our policies and practices on compliance with legal and regulatory requirements; (iv) developing and reviewing the code of conduct and compliance manual applicable to our employees and Directors; and (v) reviewing our compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules and the disclosure in the Corporate Governance Report;
  - report to our audit committee for any actual or suspected non-compliance issues on a quarterly basis, and engage external professional advisers, such as lawyers and accountants, to assist in the preparation of recommendations for consideration by our audit committee and for further presentation to our Board if considered appropriate; and
  - review the effectiveness of our on-going measures to prevent future non-compliance incidents and the internal control measures adopted by our audit committee and provides updates on the applicable laws related to our business operations with the assistance of external professional parties including internal control consultant and external legal advisers from time to time.

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3. Regular training given by external legal advisers will be arranged at least annually for all of our Directors, company secretary, financial controller and senior management members so as to discuss and study the relevant regulatory requirements in relation to our responsibilities and duties under the laws and regulations relevant to our business operations. In addition, specific training courses regarding internal control framework of the Committee of Sponsoring Organisations of the Treadway Commission will be sought and provided by our Company to our Directors and senior management.
4. We have engaged CT Partners to conduct annual reviews on our internal controls for the years ending 31 March 2016 and 2017. Such reviews will focus on the status of implementation of the recommended remedial actions in areas where deficiencies and weaknesses were identified, the effectiveness of our internal control measures implemented, and the standards and effectiveness of our corporate governance, operations and management to ensure our compliance with the Listing Rules and the applicable Hong Kong laws and regulations.
5. Our Group will seek professional advice and assistance from independent internal control adviser, external legal advisers and/or other appropriate independent professional advisers with respect to matters related to our internal controls and compliance when necessary and appropriate. We have engaged legal advisers in Hong Kong and will continue doing so after the Listing to provide with us timely legal advice as and when necessary.
6. We have established a compliance manual which shall be observed by our Directors and employees. The department head of each of our departments shall be responsible for making all relevant staff aware of the compliance manual and for ensuring that they comply with the principles in the manual. Further, the compliance manual will lay down procedures that our staff have to follow in relation to, among others, timely and due report of work injuries to Commissioner of Labour to ensure compliance with the Employees' Compensation Ordinance.
7. In accordance with the compliance manual, internal reporting procedures have been adopted for each member of our Group which among other matters, specify a designated person who is a director, the general manager or chief executive of the member of our Group to timely report any material decision to be made by the member of our Group to our Board with the designate person's view after seeing appropriate legal advice, if applicable. All the material decisions of each member of our Group shall be made after obtaining the approval of our Board. Whenever it is considered reasonable and necessary, our Board will seek appropriate legal advice when considering the decision to be made by any member of our Group.
8. On 28 November 2014, our Directors attended training sessions 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 listed on the Stock Exchange.
9. On 9 May 2015, we established an audit committee which comprises all independent non-executive Directors, namely Mr. Law Yiu Sing, Mr. Ong Chi King and Mr. Ho Ho Ming. The audit committee has adopted its terms of reference which sets out clearly its

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duties and obligations to, among other things, overseeing the internal control procedures and accounting and financial reporting matter of our Group, and ensuring compliance with the relevant laws and regulations.

In relation to specific non-compliance incidents, we have adopted the following measures:

### **Issues**

Usage of the leased properties breached the Buildings Ordinance, BCR and Government lease and occupation permit

### **Measures to ensure compliance**

With regards to non-compliance in relation to the Government lease, Buildings Ordinance, Building (Construction) Regulations and occupation permit in respect of permitted use of properties, we will seek professional advices and will only enter into such arrangement regarding the use of properties and additional/alteration of building works if the opinion of the external legal adviser is that the arrangement complies with relevant Hong Kong laws and regulations.

All additions/alterations in any leased and/or owned properties will require confirmation from an authorised person under the Building Ordinance that such addition/alteration does not constitute an unauthorised building works or breach of the Buildings Ordinance or relevant Hong Kong laws and regulations before such addition/alteration is carried out.

Our administration department is responsible to handle all the matters in relation to leasing and acquiring of premises and supervised by our executive Director, Mr. CH Lau. Mr. CH Lau will inspect the premises in person and arrange a land search to be performed internally. If Mr. CH Lau reasonably suspects the existence of any unauthorised building works upon his inspection or the land search result of the premises reveals there were any record, notice or warnings in relation to unauthorised building works issued against the premises, we will seek relevant legal advice and will not proceed with the acquisition or lease.

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Failed to comply with the Predecessor Companies Ordinance and Companies Ordinance

With regard to the non-compliance in relation to the Companies Ordinance and Predecessor Companies Ordinance, our financial controller and company secretary, Mr. Ling Yat Hin, who obtained a Bachelor of Business Administration in Accountancy from the City University of Hong Kong awarded in 2004 and was admitted as an associate member of the Hong Kong Institute of Certified Public Accountants in January 2010 (for more of his information, please refer to the paragraph headed “Directors, Senior Management and Staff – Directors and Senior Management – Senior Management”), has been responsible for keeping the filing register up to date from time to time and as required by the relevant Hong Kong laws and regulations starting from December 2014 and we will seek legal advice from external legal advisers to ensure ongoing compliance.

Mr. Ling Yat Hin will report to our Legal Compliance Committee in the future in the event of any non-compliance with the Companies Ordinance and Predecessor Companies Ordinance. Further, our external legal adviser will, on an annual basis, report to our Legal Compliance Committee on the compliance of the laws and regulations.

Failed to give notice for commencement and cessation of employment of its employees as required under the IRO

With regard to the non-compliance in relation to the Inland Revenue Ordinance, our financial controller and company secretary, Mr. Ling Yat Hin and our business manager, Mr. Yeung Wai Keung Toby, who will report directly to our Directors, will handle all tax related matters to ensure compliance with the IRO. Further, we will seek legal advice from external legal advisers to ensure ongoing compliance.

Mr. Ling Yat Hin will report to our Legal Compliance Committee in the future in the event of any non-compliance with the IRO.

We will appoint external tax advisers to ensure compliance with the relevant Hong Kong tax laws and regulations.



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Employees' MPF contribution did not meet the regulatory requirements

Our Company has sought legal review of our employment contracts and made amendments to our employment contracts to ensure our compliance with the MPF requirements in the future. All MPF related matters of our Group will be handled by our finance department supervised by our executive Director, Mr. CH Lau and our financial controller, Mr. Ling Yat Hin. In addition, with the support and assistance of our external legal advisers, our finance department will, on an annual basis, report to our Legal Compliance Committee on the compliance with the MPF laws and regulations.

Our accountant will handle all MPF related matters to ensure all MPF payments have been properly and timely made in accordance with the MPFSO and liaise with our MPF service provider from time to time to obtain updated rules and regulations on MPF schemes and related regulations.

Our finance department will, on an annual basis, report to our Legal Compliance Committee on the compliance with the MPF laws and regulations.

Failed to report certain work injuries of its employees to the Commissioner of Labour as required under the ECO

Our internal safety officers, under the supervision of our executive Director, Mr. CH Lau, are responsible to ensure all our employees' accidents or injuries will be reported to the Commissioner of Labour within 3 days through the main contractors or by us.

Mr. CH Lau will liaise with the main contractor to ensure all accidents or injuries (that are reported by us to them) will be reported to the Commissioner of Labour by the main contractor within 3 days, failing which we will report to the Commissioner of Labour forthwith to ensure compliance with the ECO.

Y Y Wong Safety Consultants Limited will review and report to our Legal Compliance Committee on semi-annual basis on the compliance with the ECO.

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Macau subsidiary submitted tax information that did not comply with the CTR

With regard to the non-compliance in relation to the Complementary Tax Regulation 《所得補充稅章程》, our financial controller and company secretary, Mr. Ling Yat Hin, is responsible for the completeness and accuracy of the complementary tax with assistance from our auditors, external Macau tax and legal advisers to ensure compliance with the relevant Macau tax laws.

Mr. Ling will attend training sessions conducted by external Macau tax advisers.

We will appoint external tax advisers to ensure compliance with the relevant Macau tax laws.

Mr. Ling Yat Hin will report to our Legal Compliance Committee in the future in the event of any non-compliance with the Macau tax laws.

### **Review by CT Partners**

On 29 July 2014, we engaged CT Partners to perform a detailed evaluation under the Committee of Sponsoring Organisations of the Treadway Commission's 2013 framework of the adequacy and effectiveness of our Group's internal control system including the areas of financial, operation, compliance and risk management. Following such review and evaluation performed by CT Partners, our Group has implemented all of the recommendations given by CT Partners on our internal control system.

CT Partners is a company rendering internal control review services, which has been previously engaged in internal control review projects for a number of companies listed on the Stock Exchange. Besides, the engagement team of CT Partners includes a Certified Internal Auditor, members of the Hong Kong Institute of Certified Public Accountants, a member of the Society of Chinese Accountants & Auditors, a fellow member of the Association of Chartered Certified Accountants, a member of the Association of International Accountants, a member of Certified General Accountants Association of British Columbia, and a member of the Taxation Institute of Hong Kong and a Certified Tax Adviser (HK).

In relation to the non-compliance incidents mentioned above, CT Partners has reviewed and provided recommendations to our internal control designs for preventing the recurrence of the above-mentioned non-compliance incidents. Key measures adopted and to be adopted by our Group pursuant to the recommendations of CT Partners are set out in the paragraph headed "Business – Internal Control Measures – Internal control measures to prevent the recurrence of non-compliance incidents" in this prospectus.

On 6 February 2015, CT Partners performed follow up review in this connection and the result of the follow up review was that we did not note any statement of findings of material weakness or material insufficiency in our Group's internal control system.

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### View of our Directors and the Sole Sponsor

Taking into consideration that:

- our Directors had no direct involvement in each of the non-compliance incidents. The relevant works were generally handled by our administrative, plant or accounting staff at the material time;
- the non-compliance incidents were unintentional, did not involve any dishonesty or fraudulent act on the part of our Directors, and did not raise any question as to the integrity of our Directors;
- upon discovery of the non-compliance incidents, our Directors immediately carried out remedial actions and had fully rectified all of the non-compliance incidents, if applicable;
- our Group has engaged/will engage external legal advisers, safety consultants and tax advisers for ensuring strict compliance with the relevant laws and regulations, and has also implemented the abovementioned internal control measures, including, among others, regular reporting by our staff to our Legal Compliance Committee and external training of our staff, to prevent recurrence of the non-compliance incidents; and
- there has been no recurring of similar non-compliance incidents since the implementation of such measures,

Our Directors confirm, and the Sole Sponsor concurs that, the abovementioned internal control measures implemented are sufficient and could effectively ensure a proper internal control system of our Group and prevent the recurrence of any non-compliance incidents. Therefore the likelihood of recurring of similar non-compliance incidents is minimal.

Our Directors further confirm, and the Sole Sponsor concurs that, our executive Directors are competent to manage our Group's business in a law abiding manner, and the abovementioned non-compliance incidents would not affect the suitability of our executive Directors under Rules 3.08 and 3.09 of the Listing Rules or the suitability of listing of our Company under Rule 8.04 of the Listing Rules.

### INTELLECTUAL PROPERTY RIGHTS

As at the Latest Practicable Date, we owned two registered trademarks in Hong Kong.

Information relating to our intellectual property rights is set out in the paragraph headed "Statutory and General Information – B. Further Information about the Business – 2. Intellectual property rights of our Group" in Appendix IV to this prospectus.

As at the Latest Practicable Date, we are not aware of any infringement (i) by our Group of any intellectual property rights owned by any third parties; or (ii) by any third party of any intellectual property rights owned by us. During the Track Record Period and

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up to the Latest Practicable Date, there had not been any pending or threatened material claims made against us, nor had there been any material claims made by us against third parties, with respect to the infringement of intellectual property rights owned by us or third parties.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### DIRECTORS AND SENIOR MANAGEMENT

Our Board consists of eight Directors, comprising five executive Directors and three independent non-executive Directors. Our Directors are supported by our senior management in the day-to-day management of our business. The following table sets out the information in respect of our Directors and senior management:

Name	Age	Date of joining our Group	Date of appointment as Director/ senior management	Position and responsibilities in our Group	Relationship with other Directors, or senior management
<b>Executive Directors</b>					
Mr. Lau Woon Si (劉煥詩)	78	May 1998	28 November, 2014	Chairman and executive Director, responsible for the overall management, overseeing marketing and engineering work, and the chairman of our nomination committee	Father of Mr. CH Lau and Mr. CS Lau
Mr. Lau Chi Hing (劉志興)	44	October 1998	28 November 2014	Vice Chairman and executive Director, responsible for the formulation of corporate development strategies, overseeing the daily site operations, regulatory compliance of projects and the member of our remuneration committee	Son of Mr. WS Lau and brother of Mr. CS Lau
Mr. Fong Hon Hung (方漢鴻)	57	July 1995	28 November 2014	Chief Executive Officer and executive Director, responsible for the corporate strategic planning, execution of daily management and administration of business and operations, and authorised signatory of Wan Kei Engineering under the register of specialist contractors (sub-register of foundation works category) maintained by the Buildings Department	N/A

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Name	Age	Date of joining our Group	Date of appointment as Director/ senior management	Position and responsibilities in our Group	Relationship with other Directors, or senior management
Mr. Leung Man Lun Stephen (梁文麟)	66	February 1997	28 November 2014	Executive Director, responsible for overall contract management, internal control, marketing and engineering work, the authorised signatory of Chung Shun under the register of specialist contractors (sub-register of ground investigation field works category) maintained by the Buildings Department	N/A
Mr. Lau Chi Shing (劉志成)	52	May 2001 and rejoined in February 2013	28 November 2014	Executive Director and project manager, responsible for the administration of human resources of projects and machinery management	Son of Mr. WS Lau and brother of Mr. CH Lau
<b>Independent Non-Executive Directors</b>					
Mr. Ong Chi King (王子敬)	42	17 June 2015	17 June 2015	Independent non-executive Director, the chairman of our remuneration committee and the member of our audit committee and nomination committee	N/A
Mr. Ho Ho Ming (何昊洺)	43	28 November 2014	28 November 2014	Independent non-executive Director and the member of our audit committee,	N/A
Mr. Law Yiu Sing (羅耀昇)	48	28 November 2014	28 November 2014	Independent non-executive Director, the chairman of our audit committee and the member of our remuneration committee and nomination committee	N/A

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Name	Age	Date of joining our Group	Date of appointment as Director/ senior management	Position and responsibilities in our Group	Relationship with other Directors, or senior management
<b>Senior Management</b>					
Mr. Lau Chi Shing (劉志成)	52	May 2001 and rejoined in February 2013 <i>(Note)</i>	28 November 2014	Executive Director and project manager, responsible for the administration of human resources of projects and machinery management	Son of Mr. WS Lau and brother of Mr. CH Lau
Mr. Yeung Wai Keung, Toby (楊偉強)	46	June 1997	9 May 2015	Responsible for business development of our Group	N/A
Mr. Ling Yat Hin (凌逸軒)	32	October 2014	9 May 2015	Responsible for overseeing accounting activities of our Group	N/A

*Note:* Mr. CS Lau has held directorship in Wan Kei Engineering since May 2001. Although Mr. CS Lau did not work in Wan Kei Engineering between around May 2003 and around February 2013, he did not resign as a director of Wan Kei Engineering. For more details, please refer to Mr. CS Lau's biography in the paragraphs below.

### Executive Directors

**Mr. Lau Woon Si (劉煥詩)**, aged 78, is our executive Director, Chairman, chairman of our nomination committee and one of the Controlling Shareholders. Mr. WS Lau was appointed as an executive Director on 28 November 2014. He is the father of Mr. CS Lau and Mr. CH Lau. Mr. WS Lau is the founder of our Group and is primarily responsible for the overall management and overseeing marketing and engineering work of our Group. Mr. WS Lau has engaged in the foundation industry for more than 40 years. He first started the business of drilling engineering works as a sole proprietor in 1964 and later set up an incorporated company in 1991. He continued to run his own business of drilling engineering until the acquisition of his incorporated company by an Independent Third Party in approximately 1995. After the acquisition, he served as a director at the incorporated company for two years until 1996.

Mr. WS Lau has set up Chung Hang as an investment holding company on 10 December 1997, of which he is the director and shareholder. Through the shareholdings of Chung Hang in the operating subsidiaries, he continued to extend his expertise and experience in drilling engineering and foundation works to the corporate development of our Group. Mr. WS Lau has also held the directorship in Chung Wah Investment Company Limited for investment purpose.

Mr. WS Lau has been granted as honorary citizen of Shanwei City, Guangdong Province in November 1996. He has been appointed as Fourth Chinese People's Political Consultative Conference member of Shanwei, Guangdong Province in June 2004. He was also the Eighth Chinese People's Political Consultative Conference Standing Committee

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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member of Haifeng County, Guangdong Province in November 2006. He has also held various positions of Honorary President of the Confederacy of Hong Kong Shanwei Clansmen Limited, President and Honorary President of the Hong Kong Hai Feng Commercial Association Co. Limited and President and Honorary President of the Hong Kong Hai Feng Resident Limited. In addition, he is also the director of The Association of Lau's Clansmen of Hai Lu Foon In Hong Kong Limited and The Association of The Hong Kong Members Of Guangdong's Chinese People's Political Consultative Conference Committees Limited and Fu Chuen Land Investment Company Limited.

**Mr. Lau Chi Hing** (劉志興), aged 44, is our executive Director, vice chairman of our Board, member of our remuneration committee and one of the Controlling Shareholders. He was appointed as our executive Director on 28 November 2014. He is the son of Mr. WS Lau and brother of Mr. CS Lau. He obtained bachelor of engineering degree from University of Melbourne in Australia in March 1997. He has also completed the training course of Occupation Safety Management, which was organized by Occupational Safety & Health Council in March 2013.

From April 1997 to August 1998, he started his career as a graduate engineer at Joseph Chow & Partners, Limited and he was responsible for overseeing the regulatory compliance of projects and project design. In 1998, he joined Wan Kei Engineering and has taken up various positions of site agent, project manager and technical director.

He has engaged in the foundation industry for more than 16 years and he is primarily responsible for the formulation of development strategies, overseeing the daily operation and business development of our Group. He is a director of Wan Kei Engineering and Wan Kei Machinery. He is also a director of Chung Hang.

**Mr. Fong Hon Hung** (方漢鴻), aged 57, is our executive Director, the chief executive officer of our Group and one of the Controlling Shareholders. He was appointed as our executive Director on 28 November 2014.

In November 1980, he has been awarded the technician certificate in engineering surveying from Hong Kong Polytechnic. In November 1983, he has been awarded the certificate in civil engineering from Hong Kong Polytechnic. He further obtained the higher certificate in civil engineering in November 1987 from Hong Kong Polytechnic. In July 1993, he obtained the certificate in electronics with distinction from Vocational Training Council and the BTEC National Certificate in engineering from Business & Technology Education Council. In November 1998, he earned the endorsement certificate in civil engineering project management from Hong Kong Polytechnic.

He is the authorised signatory of Wan Kei Engineering under the register of specialist contractors (sub-register of foundation works category) maintained by the Buildings Department. He is primarily responsible for formulation of corporate strategic plans, execution of daily management and administration of business and operations of our Group. He has engaged in the foundation industry for more than 36 years. He is a director of Wan Kei Engineering and Wan Kei Machinery. He is also a director of Gold Crown.



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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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From August 1978 to July 1984, he had engaged as the chainman and junior land surveyor in construction project at Mass Transit Railway Corporation Hong Kong. From 1984 to 1986, he worked as an assistant site agent at Chung Wah Machine Well Engineering Company Limited. From November 1986 to November 1987, he worked as an assistant engineer at Shimizu Construction Co., Ltd. From November 1987 to April 1995, he served as the project manager and latterly general manager of Chung Wah Machine Well Engineering Company Limited. Since July 1995, he has been the director of Wan Kei Engineering.

**Mr. Leung Man Lun Stephen** (梁文麟), aged 66, is our executive Director and one of the Controlling Shareholders. He was appointed as our executive Director on 28 November 2014. He obtained bachelor of science in business administration degree from Northeastern University in the United States of America in June 1977.

He has engaged in the foundation industry for more than 34 years. From 1980 to 1982, he served as an assistant manager at Lam Geotechnics Limited. He was promoted as a manager in January 1983 and latterly a director in March 1985. From January 1995 to January 1997, he served as a general manager at Chung Wah Machine Well Engineering Company Limited. In February 1997, he joined Chung Shun as a general manager and he has been the director of Chung Shun since April 2001.

Since June 2001, he has been admitted as the authorized signatory and technical director to act for Chung Shun as a Registered Specialist Contractor (Ground Investigation Field Works Category) (RSC(GIFW)) under Buildings Department. Since May 2002, he has acted as the authorized signatory and technical director to act for Chung Shun on the List of Ground Investigation Contractors under Hong Kong Housing Authority. Since December 2007, he has also acted as the Authorized Signatory and technical director to act for Chung Shun on the List of Approved Contractors for Public Works (Approved List) and List of Approved Suppliers of Materials and Specialist Contractors for Public Works (Specialist List) of the Ground Investigation Field Work category under Works Branch of Development Bureau.

He is primarily responsible for the overall contract management, internal control, marketing and engineering work of our Group. He is a director of Wan Kei Machinery and Chung Shun.

**Mr. Lau Chi Shing** (劉志成), aged 52, is our executive Director and one of the Controlling Shareholders. He was appointed as our executive Director on 28 November 2014. He is the son of Mr. WS Lau and brother of Mr. CH Lau.

In January 1992, he obtained the degree of bachelor of science in civil engineering from National Chung-Hsing University in Taiwan. In June 1995, he was admitted to the degree of master of engineering studies from the University of Sydney in Australia. He has been a Chartered Professional Engineer member of The Institute of Engineers Australia in the Civil College since August 2010 and a Registered Professional Engineer of Queensland in Australia since November 2010. He has also been a member of The Hong Kong Institute of Engineers since September 2014.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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From December 1984 to April 1986, he started his career as a site foreman at Chung Wah Machine Well Engineering Company Limited. He later joined Gammon Construction Limited as assistant engineer from January 1995 to July 1999. From August 1999 to November 2001, he served as method engineer and production engineer at Dragages et Travaux Publics (HK) Ltd. He worked in Wan Kei Engineering as a project manager from December 2001 to May 2003. Since May 2001, he has held directorship in Wan Kei Engineering. From August 2004 to June 2007, he served as temporary bridge engineer at Greater Taree City Council in Australia. From June 2007 to February 2009, he joined Sinclair Knight Merz Pty Ltd in Australia as a senior structural engineer. From September 2009 to January 2010, he worked in Australia as a geotechnical engineer at Basement Solutions Australia. From April 2010 to August 2012, he served as a structural engineer at Transfield Services (Australia) Pty Limited in Australia. He has been an assistant project manager of Wan Kei Engineering since February 2013.

He has engaged in the construction industry for more than 18 years and he is primarily responsible for overseeing human resources of projects and machinery management of our Group. He is a director of Chung Hang and a director of Wan Kei Engineering.

### **Independent non-executive Directors**

**Mr. Ong Chi King** (王子敬), aged 42, was appointed as our independent non-executive Director on 17 June 2015. He serves as chairman of our remuneration committee and a member of our audit committee and nomination committee.

He graduated from The Hong Kong University of Science and Technology with a bachelor of business administration in accounting in November 1995 and a master's degree in corporate finance from The Hong Kong Polytechnic University in November 2004.

He was admitted as a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants in December 1998 and a fellow member of The Association of Chartered Certified Accountants in September 2003.

He has over 19 years of experience in the field of accounting, finance and company secretary. From August 1995 to October 1999, he was employed by Ernst & Young and his last position was senior II. From October 1999 to June 2008, he served and held the last position of executive director and company secretary at Deson Development International Holdings Limited (stock code: 262), the shares of which are listed on the Main Board. From July 2008 to May 2011, he set up and operated Yee On Securities Limited, a Type 1 licensed company under SFO. Since November 2008, he has been serving as the company secretary of Yue Da Mining Holdings Limited (stock code: 629), the shares of which are listed on the Main Board.

He is currently an independent non-executive director of Capital VC Limited (stock code: 2324), China Environmental Resources Group Limited (stock code: 1130), Hong Kong Education (Int'l) Investments Limited (stock code: 1082), KSL Holdings Limited (stock code: 8170), King Force Security Holdings Limited (stock code: 8315), Larry Jewelry International Company Limited (stock code: 8351) and WLS Holdings Limited (stock code: 8021).

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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He was a director of Fitness Concept International Holdings Limited, which was incorporated in the Cayman Islands and was dissolved on 30 June 2005. He confirmed that the said company was solvent and inactive at the time of it being struck off and that its dissolution has not resulted in any liability or obligations imposed against him.

**Mr. Ho Ho Ming** (何昊洛) (former name: Ho Wing Hang (何榮亨)), aged 43, was appointed as an independent non-executive Director on 28 November 2014. He serves as a member of our audit committee.

He graduated from The Hong Kong University of Science and Technology with a degree of bachelor of business administration in information and systems management in November 1996. He also obtained a degree of master of business administration from the University of Cambridge, the United Kingdom in May 2000.

He has over 16 years of experience in the field of investment banking and credit rating. From April 1996 to September 1997, he was employed as an analyst by Credit Suisse First Boston (Hong Kong) Limited. From September 1997 to September 1998, he was employed as an analyst by Merrill Lynch (Asia Pacific) Limited. From December 1999 to February 2002, he was employed as an Associate by Bear Sterns Asia Limited. From April 2003 to October 2013, he was employed by Fitch (Hong Kong) Limited and his position was senior director at the time of his departure. From October 2013 to September 2014, he was employed as chief analyst by Universal Credit Rating Group.

He is currently an adjunct professor of the Department of Real Estate and Construction at The University of Hong Kong, and the adjunct professor of the School of Accounting and Finance at The Hong Kong Polytechnic University. In addition, he is an honorary associate of the Asia-Pacific Institute of Business of The Chinese University of Hong Kong and an external advisory member of the Departmental Advisory Committee on Applied Mathematics at The Hong Kong Polytechnic University.

He is currently an independent non-executive director of KSL Holdings Limited (stock code: 8170) and Kwan On Holdings Limited (stock code: 8305), all of whose shares are listed on GEM.

**Mr. Law Yiu Sing** (羅耀昇), aged 48, was appointed as our independent non-executive Director on 28 November 2014. He serves as chairman of our audit committee and members of our remuneration committee and nomination committee.

He obtained a bachelor of engineering degree in computer engineering from Concordia University in Canada in October 1990, a master of business administration degree from the University of Hong Kong in December 1999, a master of practicing accounting from Monash University in Australia in November 2004 and a graduate diploma in English and Hong Kong Law (Common Professional Examination) from the Manchester Metropolitan University in July 2009.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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He was admitted as a Certified Practising Accountant of CPA Australia in August 2005, a Certified Public Accountant of Hong Kong Institute of Certified Public Accountants in January 2006 and a Certified Tax Adviser of the Taxation Institute of Hong Kong in January 2010. He is also a founding member of the Institute of Accountants Exchange.

He has over 20 years of experience in the field of financial and business management. From October 1995 to October 1997, he was the general manager in the corporate development department of COSCO Pacific Limited (stock code: 1199), the shares of which are listed on the Main Board. From August 2000 to May 2002, he was the deputy general manager of business development of China Chengtong Development Group Limited (stock code: 217), the issued shares of which are listed on the Main Board. From January 2003 to November 2004, he served as the director of corporate finance and the assistant to the chief financial officer of Capisces International (H.K.) Limited. From January 2006 to January 2007, he worked at the Official Receiver's Office as Insolvency Officer II. From February 2007 to March 2009, he served as the vice president of Yangtze Capital Management Limited. From July 2009 to July 2010, he served as the chief financial officer of Jimei Development Holdings Ltd. During the period from October 2010 to July 2014, he had served as the M&A manager, settlement manager, M&A manager cum treasury manager and deputy CFO cum treasury manager of Win Capital Investments Limited, a wholly-owned subsidiary of Brightoil Petroleum (Holdings) Limited (stock code: 933), the shares of which are listed on the Main Board. He is currently the deputy general manager of Vision Fame International Holdings Limited (stock code: 1315), the shares of which are listed on the Main Board.

He is currently an independent non-executive director of Glory Flame Holdings Limited (stock code: 8059) whose shares are listed on GEM.

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or any other member of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, Substantial Shareholders, Controlling Shareholders, or senior management of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date. As at the Latest Practicable Date, save as the interests of Mr. WS Lau, Mr. CH Lau, Mr. Fong, Mr. Leung and Mr. CS Lau in the Shares as disclosed in the section headed "Statutory and General Information – C. Further Information about Substantial Shareholders, Directors and Experts" in Appendix IV to this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the Latest Practicable Date.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### Senior Management

**Lau Chi Shing** (劉志成), aged 52, serves as the project manager of our Group. He is responsible for overseeing human resources of projects and machinery management of our Group. Details of his qualifications and experience are set out in the paragraph headed “Directors and senior management – Executive Directors” in this section.

**Mr. Yeung Wai Keung, Toby** (楊偉強), aged 46, joined our Group in June 1997. He serves as the business manager of our Group. He obtained a Diploma in Accountancy from Vocational Training Council awarded in August 1992. He has been awarded a National Vocational Qualification in Accounting (Practice & Commerce) Level IV by The Association of Accounting Technicians in June 1994. He has been accredited as an Accounting Technician by The Hong Kong Association of Accounting Technicians in October 1994. He has also been awarded a Technically Competent Person T1 Certificate from Hong Kong Institute of Vocational Education in July 2011. He has more than 19 years of experience in foundation works industry. He is currently responsible for the business development of our Group.

**Mr. Ling Yat Hin** (凌逸軒), aged 32, joined our Group in October 2014. He serves as the financial controller and the company secretary of our Group. He obtained a Bachelor of Business Administration in Accountancy from the City University of Hong Kong in 2004. He was admitted as an associate member of the Hong Kong Institute of Certified Public Accountants in January 2010. He has more than 9 years of experience in accounting field. From September 2004 to December 2005, he was employed as an audit assistant by Tommy Ng & Co. From March 2006 to September 2014, he was employed as an accountant and latterly a manager by HLB Hodgson Impey Cheng Limited. He is currently responsible for overseeing accounting activities of our Group.

Save as disclosed above, each of our senior management (i) did not hold other positions in our Company or any other member of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, Substantial Shareholders, Controlling Shareholders, or senior management of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the Latest Practicable Date.

### BOARD COMMITTEES

#### Audit committee

An audit committee was established by our Board on 9 May 2015 with written terms of reference in compliance with Rules 3.21 of the Listing Rules and C3 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of our audit committee are to review and approve our financial reporting process and to assist our Board in providing an independent view of the effectiveness of our financial reporting process, internal control and risk management system. The members of our audit committee are Mr. Law Yiu Sing, Mr. Ong Chi King and

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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Mr. Ho Ho Ming. The chairman of our audit committee is Mr. Law Yiu Sing, who holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules.

### **Remuneration committee**

A remuneration committee was established by our Board on 9 May 2015 with written terms of reference in compliance with paragraph B1 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of our remuneration committee are to review and make recommendation to our Board on the policy, terms and structure of the remuneration packages, bonuses and other compensation payable to our Directors. The remuneration packages of our Directors are generally structured by reference to market terms and individual merits. Salaries are normally reviewed and discretionary bonuses are paid on an annual basis based on our results, individual performance and other relevant factors. The members of our remuneration committee are Mr. CH Lau, Mr. Law Yiu Sing and Mr. Ong Chi King. Mr. Ong Chi King is the chairman of our remuneration committee.

### **Nomination committee**

A nomination committee was established by our Board on 9 May 2015 with written terms of reference in compliance with paragraph A5 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 to the Listing Rules. The primary duties of our nomination committee are to review the structure, size, diversity and composition of our Board, assess the independence of independent non-executive Directors and make recommendations to our Board on matters relating to the appointment of Directors. Our nomination committee comprises Mr. WS Lau, Mr. Law Yiu Sing and Mr. Ong Chi King. Mr. WS Lau is the chairman of our nomination committee.

## **REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT**

The aggregate amount of compensation (including any fees, salaries and other allowances and benefits in kind) paid by us to our Directors for each of the three years ended 31 March 2015 were approximately HK\$4.8 million, HK\$7.0 million and HK\$8.8 million, respectively.

Save as disclosed above, no other payments have been paid or are payable, in respect of each of the three years ended 31 March 2015, by us or any of our subsidiaries to our Directors and senior management.

Details of our Directors' emoluments (on the basis of service agreements and/or letters of appointment), the basis of determining our Directors' emoluments and the proposed length of service for our Directors as stated in the service agreements or letters of appointment are set out under the section headed "Statutory and General Information – C. Further information about Substantial Shareholders, Directors and Experts – 3. Remuneration of Directors" in Appendix IV to this prospectus.



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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### COMPANY SECRETARY

**Mr. Ling Yat Hin** (凌逸軒先生), aged 32, joined our Group in October 2014. He serves as the financial controller and the company secretary of our Group. Details of his qualifications and experience are set out in the paragraph headed “Directors and Senior Management – Senior management” in this prospectus.

### COMPLIANCE ADVISER

We have appointed Kingsway Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us on the following matters:

- i. before the publication of any regulatory announcement, circular or financial report;
- ii. where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- iii. where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- iv. where the Stock Exchange makes an inquiry of us under Rule 13.10 of the Listing Rules.

The term of the appointment shall commence on the Listing Date and end on which our Company complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year after the Listing Date (i.e. the date of dispatch of the annual report of our Company in respect of our results for the financial year ending 31 March 2016), subject to extension by mutual agreement.

### CORPORATE GOVERNANCE MEASURES

On 29 July 2014, we have appointed an independent internal control consultants, CT Partners Consultants Limited (“CT Partners”), to, among other things, perform a detailed evaluation of the compliance of the revised corporate governance code as set out in Appendix 14 (the “Code”) and the relevant amended provisions in the Listing Rules. CT Partners has recommended our Company to adopt a compliance manual covering the corporate governance code and associated Listing Rules. CT Partners has performed a follow up review on 6 February 2015 and confirmed our Company has adopted a comprehensive compliance manual.

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## DIRECTORS, SENIOR MANAGEMENT AND STAFF

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### STAFF BENEFITS

All employees of our Group in Hong Kong have joined a mandatory provident fund scheme (the “MPF Scheme”) prescribed by the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) and the MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority. Our Group has made the relevant contributions in accordance with the aforesaid laws and regulations. Save as the aforesaid, our Group has not participated in other pension schemes.



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## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

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### **OUR CONTROLLING SHAREHOLDERS ACTING IN CONCERT**

Immediately following completion of the Global Offering, but without taking into account any Shares which may be allotted and issued pursuant to the exercise of any options that may be granted under the Share Option Scheme, Suntecli, Samwood, Mr. WS Lau, Mr. Fong and Mr. Leung will control, in aggregate, approximately 74.9% of our issued share capital.

For the purpose of the Listing Rules, Suntecli, Samwood, Mr. WS Lau, Mr. Fong and Mr. Leung are our Controlling Shareholders. Each of Suntecli, Samwood, Mr. WS Lau, Mr. Fong and Mr. Leung confirms that it/he does not hold or conduct any business which competes, or is likely to compete, either directly or indirectly, with our business.

Our Controlling Shareholders have been parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) in the course of the Reorganisation and will continue to be parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) until such arrangement is terminated in writing by them pursuant to the Concert Party Deed. For details, please refer to the paragraph headed “History, Reorganisation and Group Structure – Concert Party Deed” in this prospectus.

### **INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE ASSOCIATES**

In the opinion of our Directors, our Group is capable of carrying out our businesses independently of, and does not place undue reliance on, our Controlling Shareholders, their respective associates or any other parties particularly with respect to the following factors:

#### **Financial independence**

Our Group has an independent financial system and makes financial decisions according to our Group’s own business needs. Our Directors believe that we have sufficient capital to operate our business independently, and have adequate internal resources and a strong credit profile to obtain financing from Independent Third Parties to support our daily operations. During the Track Record Period, our Group relies principally on cash generated from operations to carry on its business and this is expected to continue after the Listing.

The non-trade related amounts due to or from our Controlling Shareholders, or companies controlled by him/it will be fully settled and all guarantees provided to us by the Controlling Shareholders and their associates will be released upon Listing.

#### **Operational independence**

We have established and operated through a clear organisational structure with a number of individual departments, each of which has specific areas of duties and responsibilities. Our Group has its own client base, independent source of and access to suppliers and customers, who are all Independent Third Parties. Save as the transactions in respect of our lease of premises as office and warehouse, respectively

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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from the close associates of Mr. WS Lau, namely Chung Hang and Chung Wah Investment Company Limited, further details of which are set out in the section headed “Connected Transactions” in this prospectus, we have not shared our operational resources of suppliers, customers, sales and marketing and general administration resources with our Controlling Shareholders and/or their associates. Our Directors confirm that, save as disclosed above, no services, premises and facilities will be provided by our Controlling Shareholders and/or their associates to our Group. As we have independent contractors capable of carrying out foundation works and ground investigation field works, our Group is able to operate independently from our Controlling Shareholders after the Listing.

### **Management independence**

Our Board comprises 5 executive Directors, namely Mr. WS Lau, Mr. CH Lau, Mr. CS Lau, Mr. Fong and Mr. Leung and 3 independent non-executive Directors, namely Mr. Ong Chi King (王子敬), Mr. Ho Ho Ming (何昊洛先生) and Mr. Law Yiu Sing (羅耀昇先生). Mr. WS Lau and Mr. CH Lau are directors of Suntecli while Mr. Fong is a director of Samwood. Save as disclosed above, none of our Directors or senior management serves any executive or management role in our Controlling Shareholders or any of their respective associates.

Each of our Directors is aware of his fiduciary duties as a Director which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In particular, Mr. WS Lau, Mr. Fong and Mr. Leung will not attend any board meetings of our Company in respect of those matters or transactions relating to Suntecli, Samwood or which may otherwise give rise to potential conflicts of interest and would not be counted as quorum in the relevant meetings. Furthermore, Mr. WS Lau, Mr. Fong and Mr. Leung and their respective associates will not attend, or be counted as quorum of, any meeting of our Shareholders for consideration and approval of matters which may give rise to potential conflicts of interest so far as required by the Listing Rules or other applicable laws and regulations. In addition, our Group has an independent senior management team, none of whom has any managerial role or beneficial interest in our Controlling Shareholders or any of their respective associates, to carry out the business decisions of our Group independently.

Three of the members of our Board are independent non-executive Directors who are either well-educated, having extensive experience in different areas or professionals and they have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of our Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of Directors from different backgrounds provides a balance of views and opinions.

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## **RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS**

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Furthermore, our Board's main function includes the approval of the overall business plans and strategies of our Group, monitoring the implementation of these policies and strategies and the management of our Company. Our Board acts collectively by majority decisions in accordance with the Articles and applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorized by our Board.

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 Group is capable of managing its business independently from our Controlling Shareholders and their respective associates after the Listing. In addition, the business of our Group has been operated under substantially the same management throughout the Track Record Period and up to the Latest Practicable Date.

### **Independence of major suppliers**

Our Directors confirm that none of our Controlling Shareholders, nor our Directors and their respective associates, have any relationship with the major suppliers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

### **Independence of major customers**

Our Directors confirm that none of our Controlling Shareholders, nor our Directors and their respective associates, have any relationship with the major customers of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

### **Ownership of trademarks**

As at the Latest Practicable Date, we owned two registered trademarks in Hong Kong. Such details are set out under the paragraph headed "Statutory and General Information – B. Further Information about the Business – 2. Intellectual property rights of our Group" in Appendix IV to this prospectus.

## **RULE 8.10 OF THE LISTING RULES**

Our Controlling Shareholders and our Directors do not have any interest in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business, and would require disclosure under Rule 8.10 of the Listing Rules.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### DEED OF NON-COMPETITION

Mr. WS Lau, Mr. Fong, Mr. Leung, Suntecli and Samwood (each the “**Covenantor**” and collectively the “**Covenantors**”) entered into a deed of non-competition dated 12 May 2015 in favour of our Company and our subsidiaries (the “**Deed of Non-competition**”). Pursuant to the Deed of Non-competition, each of the Covenantors has irrevocably and unconditionally undertaken to our Company (for itself and for the benefit of our subsidiaries) that, save and except as disclosed in this prospectus, during the period that the Deed of Non-competition remains effective, he/it shall not, and shall procure that his/its close associates (other than any member of our Group) not to carry on or be engaged, concerned or interested, or otherwise be involved, directly or indirectly, in any business in competition with or likely to be in competition with the existing business activity of any member of our Group or any business activity to be conducted by any member of our Group from time to time.

Each of the Covenantors further undertakes that if he/it or his/its close associates other than any member of our Group is offered or becomes aware of any business opportunity which may compete with the business of our Group, he/it shall procure that his/its close associates to promptly notify our Group in writing and our Group shall have a right of first refusal to take up such opportunity. Our Group shall, within 30 days after receipt of the written notice (or such longer period if our Group is required to complete any approval procedures as set out under the Listing Rules from time to time), notify the Covenantor(s) whether our Group will exercise the right of first refusal.

Our Group shall only exercise the right of first refusal upon the approval of all independent non-executive Directors (who do not have any interest in such opportunity). The relevant Covenantor(s) and the other conflicting Directors (if any) shall abstain from participating in and voting at and shall not be counted as quorum at all meetings of the Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our independent non-executive Directors for considering whether or not to exercise the right of first refusal.

The undertakings contained in the Deed of Non-competition are conditional upon the Listing Division granting approval for the listing of and permission to deal in the Shares on the Stock Exchange and all conditions precedent under the Underwriting Agreements having been fulfilled (or where applicable, waived) and the Underwriting Agreements not having been terminated in accordance with its terms. If any such condition is not fulfilled on or before the date specified in the Underwriting Agreements (unless such conditions are waived on or before such date) or in any event on or before the date falling 30 days after the date of this prospectus, the Deed of Non-competition shall lapse and cease to have any effect whatsoever and no party shall have any claim against the other under the Deed of Non-competition.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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The Deed of Non-competition shall terminate on the date on which (i) in relation to any Covenantors, when he/it together with his/its close associates, whether individually or taken together, ceases to be interested in 30% (or such other amount as may from time to time be specified in the Listing Rules as being the threshold for determining a controlling shareholder of a company) or more of the entire issued share capital of our Company provided that the Deed of Non-competition shall continue to be in full force and effect as against the other Covenantors; or (ii) our Shares cease to be listed and traded on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares on the Stock Exchange due to any reason).

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## CONNECTED TRANSACTIONS

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Following the Listing, the following transactions will be continued between our Group and the relevant connected person(s) (as defined in the Listing Rules), which will constitute continuing connected transaction under the Listing Rules.

### EXEMPTED CONTINUING CONNECTED TRANSACTIONS

#### Tenancy Agreement

During the Track Record Period, Wan Kei Engineering and Chung Shun (as tenants) had leased a property (the “**Property**”) from Chung Hang (as landlord) as our office. For each of the three years ended 31 March 2015, the rental paid by our Group for the Property amounted to HK\$480,000, HK\$480,000 and HK\$618,000, respectively. We expect that we will continue to lease the Property after the Listing.

Chung Hang is owned by Mr. WS Lau as to approximately 94.65%. Mr. WS Lau is one of our Controlling Shareholders, an executive Director and our Chairman. Accordingly, Chung Hang is a connected person of our Company for the purposes of the Listing Rules.

On 1 February 2015, our Company entered into a tenancy agreement (the “**Tenancy Agreement**”) with Chung Hang pursuant to which, Chung Hang agreed to lease the Property to our Company (for itself and all members of our Group) for a term commencing on the date of the Tenancy Agreement and ending on 31 January 2017 at the monthly rental of HK\$52,000, which was agreed through negotiations between the parties with regard to (i) the historical annual rent paid; (ii) then prevailing market rent; and (iii) the estimated increase of such rent of the properties in the same area and of similar grading as the Property.

In accordance with the Listing Rules, we have set annual caps for the maximum aggregate annual rent payable by us under the Tenancy Agreement for each of the financial years ending 31 March 2016, 2017 and 2018. Assuming that the monthly rental will not increase upon the renewal of the Tenancy Agreement upon its expiry on 31 January 2017, it is anticipated that the total annual rent payable by us under the Tenancy Agreement will not exceed HK\$624,000, HK\$624,000 and HK\$624,000 for each of the financial years ending 31 March 2016, 2017 and 2018, respectively.

#### Lease Agreement

During the Track Record Period, Wan Kei Engineering and Chung Shun (as tenants) had leased a piece of land (the “**Land**”) from Chung Wah Investment Company Limited (中華投資發展有限公司) (“**Chung Wah Investment**”) (as landlord) as our warehouse. For each of the three years ended 31 March 2015, the rental paid by our Group for the Land amounted to HK\$1,140,000, HK\$1,140,000 and HK\$1,140,000, respectively. We expect that we will continue to lease the Land after the Listing.

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## CONNECTED TRANSACTIONS

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Chung Wah Investment is a company incorporated in Hong Kong and owned by Chung Hang and Mr. WS Lau as to 95% and 2.5%, respectively. Chung Hang is owned by Mr. WS Lau as to approximately 94.65%. Mr. WS Lau is one of our Controlling Shareholders, an executive Director and our Chairman. Accordingly, Chung Wah Investment is a connected person of our Company for the purposes of the Listing Rules.

On 1 February 2015, our Company entered into a lease agreement (the “**Lease Agreement**”) with Chung Wah Investment pursuant to which, Chung Wah Investment agreed to lease the Land to our Company (for itself and all members of our Group) for a term commencing on the date of the Lease Agreement and ending on 31 January 2017 at the monthly rental of HK\$95,000, which was agreed through negotiations between the parties with regard to (i) the historical annual rent paid; (ii) then prevailing market rent; and (iii) the estimated increase of such rent of the lands in the same area and of similar grading as the Land.

In accordance with the Listing Rules, we have set annual caps for the maximum aggregate annual rent payable by us under the Lease Agreement for each of the financial years ending 31 March 2016, 2017 and 2018. Assuming that the monthly rental will not increase upon the renewal of the Lease Agreement upon its expiry on 31 January 2017, it is anticipated that the total annual rent payable by us under the Lease Agreement will not exceed HK\$1,140,000, HK\$1,140,000 and HK\$1,140,000 for each of the financial years ending 31 March 2016, 2017 and 2018, respectively.

Our Directors consider that the Tenancy Agreement and the Lease Agreement were entered into on normal commercial terms and in the ordinary and usual course of business of our Group, which are fair and reasonable and in the interests of our Company and the Shareholders as a whole. Since each of the applicable percentage ratios (other than the profit ratio) for the Tenancy Agreement and the Lease Agreement calculated either separately or in aggregation is less than 5% with the annual payable consideration below HK\$3,000,000, the transactions under the Tenancy Agreement and the Lease Agreement constitute continuing connected transactions of our Company which are exempt from the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules.

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## SUBSTANTIAL SHAREHOLDERS

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So far as our Directors are aware, immediately following completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of any option that may be granted under the Share Option Scheme), the following persons will have interests or a short positions in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who will, 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 other member of our Group:

### Long position in our Shares

Name	Nature of Interest	No. of Shares held/ interested in	Approximate percentage of interest
Suntecli	Interests held jointly with other persons; beneficial owner <i>(Notes 1 and 8)</i>	599,100,000	74.9%
Samwood	Interests held jointly with other persons; beneficial owner <i>(Notes 2 and 8)</i>	599,100,000	74.9%
Mr. WS Lau	Interests held jointly with other persons; interest in controlled corporation <i>(Notes 3 and 8)</i>	599,100,000	74.9%
Mr. Fong	Interests held jointly with other persons; interest in controlled corporation <i>(Notes 4 and 8)</i>	599,100,000	74.9%
Mr. Leung	Interests held jointly with other persons; beneficial interest <i>(Note 8)</i>	599,100,000	74.9%
Ms. So	Interest of spouse <i>(Note 5)</i>	599,100,000	74.9%
Ms. Kwong Sui Sim	Interest of spouse <i>(Note 6)</i>	599,100,000	74.9%
Ms. Chan Sui Yau Cathy	Interest of spouse <i>(Note 7)</i>	599,100,000	74.9%

*Notes:*

- (1) Suntecli is an investment holding company owned by Mr. WS Lau, Ms. Wong Po Lin, Ms. So, Mr. CS Lau, Mr. CH Lau and Mr. Ian Lau as to approximately 94.65%, 1.07%, 1.07%, 1.07%, 1.07% and 1.07%, respectively. The directors of Suntecli are Mr. WS Lau and Mr. CH Lau.
- (2) Samwood is an investment holding company owned by Mr. Fong and Mr. Yeung as to 79% and 21%, respectively. The sole director of Samwood is Mr. Fong.



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## SUBSTANTIAL SHAREHOLDERS

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- (3) Mr. WS Lau owns approximately 94.65% shareholding in Suntecli, which in turn beneficially owns 42.62% shareholding in our Company. Therefore, Mr. WS Lau is deemed or taken to be interested in all the Shares which are beneficially owned by Suntecli for the purposes of the SFO.
- (4) Mr. Fong owns 79% shareholding in Samwood, which in turn beneficially owns 17.73% shareholding in our Company. Therefore, Mr. Fong is deemed or taken to be interested in all the Shares which are beneficially owned by Samwood for the purposes of the SFO.
- (5) Ms. So is the spouse of Mr. WS Lau and is deemed or taken to be interested in all the Shares in which Mr. WS Lau has, or is deemed to have, an interest for the purposes of the SFO.
- (6) Ms. Kwong Sui Sim is the spouse of Mr. Fong and is deemed or taken to be interested in all the Shares in which Mr. Fong has, or is deemed to have, an interest for the purposes of the SFO.
- (7) Ms. Chan Sui Yau Cathy is the spouse of Mr. Leung and is deemed or taken to be interested in all the Shares in which Mr. Leung has, or is deemed to have, an interest for the purposes of the SFO.
- (8) Suntecli, Samwood, Mr. WS Lau, Mr. Fong and Mr. Leung are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) pursuant to the Concert Party Deed. As such, immediately following completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of any option that may be granted under the Share Option Scheme), Suntecli, Samwood, Mr. WS Lau, Mr. Fong and Mr. Leung will together control approximately 74.9% of our entire issued share capital.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following completion of the Global Offering (without taking into account any Shares which may be issued pursuant to the exercise of any option that may be granted under the Share Option Scheme), have interests or short positions in the Shares or the underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, who will, directly or indirectly, be interested in 10% of 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 other member of our Group and are therefore regarded as our Substantial Shareholders under the Listing Rules.

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## SHARE CAPITAL

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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, our issued share capital immediately following the Global Offering will be as follows:

<i>Authorised share capital</i>		<i>HK\$</i>
<u>2,000,000,000</u>	Shares	<u>20,000,000</u>
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering:</i>		<i>HK\$</i>
700,000,000	Shares in issue at the date of this prospectus	7,000,000
<u>100,000,000</u>	Shares to be issued pursuant to the Global Offering	<u>1,000,000</u>
<u>800,000,000</u>	Total	<u>8,000,000</u>

### RANKING

The Offer Shares will rank *pari passu* in all respects with all the Shares now in issue or to be issued as mentioned in this prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of Listing.

### GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in section headed “Structure of the Global Offering” in this prospectus, 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 aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering; and
- (b) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in the paragraph headed “General Mandate to Repurchase Shares” below.

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## SHARE CAPITAL

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This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or pursuant to 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 the earliest of:

- (a) the conclusion of our Company's next annual general meeting; or
- (b) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable laws or the Memorandum of Association and Articles of Association; or
- (c) the time when it is varied or revoked by an ordinary resolution of our Shareholders at general meeting.

For further details of this general mandate, please refer to the section headed "Statutory and General Information – A. Further Information about our Company – 3. Written resolutions of the Shareholders passed on 9 May 2015" in Appendix IV to this prospectus.

### **GENERAL MANDATE TO REPURCHASE SHARES**

Conditional on conditions as stated in section headed "Structure of the Global Offering" of this prospectus, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognised by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Global Offering (excluding Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information – A. Further Information about our Company – 6. Repurchase of Shares by our Company" in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until the earliest of:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) 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 Memorandum of Association and Articles of Association; or
- (iii) the time when it is varied or revoked by an ordinary resolution of our Shareholders at a general meeting.

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## SHARE CAPITAL

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For further details of this general mandate, please refer to the section headed “Statutory and General Information – A. Further Information about our Company – 6. Repurchase of Shares by our Company” in Appendix IV to this prospectus.

### **SHARE OPTION SCHEME**

We have conditionally adopted the Share Option Scheme on 9 May 2015. Details of the principal terms of the Share Option Scheme are summarised in the paragraph headed “Statutory and General Information – D. Share Option Scheme” as set out in Appendix IV to this prospectus.

Our Group does not have any outstanding share options, warrants, convertible instruments, pre-IPO share options or similar rights convertible into the Shares as at the Latest Practicable Date.

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

As a matter of Companies Law, an exempted company is not required by law to hold any general meetings or class meetings. The holding of general meeting or class meeting is prescribed for under the articles of association of a company. Accordingly, we will hold general meetings as prescribed for under our Articles, a summary of which is set out in Appendix III to this prospectus.

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## FINANCIAL INFORMATION

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*You should read the following discussion and analysis of our Group's financial condition and results of operations in conjunction with our combined financial information as at 31 March 2013, 2014 and 2015 and for each of the three years ended 31 March 2015 and the accompanying notes set forth in Appendix I to this prospectus. Our combined financial information has been prepared in accordance with HKFRS.*

*The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those projected in the forward-looking statements. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" and elsewhere in this prospectus.*

We are principally engaged in providing: (i) foundation works; and (ii) ground investigation field work, in Hong Kong. Our foundation works mainly consisted of the construction of socketed H-piles, mini piles, soldier piles, pipe piles and king posts.

Our Group provided foundation works through Wan Kei Engineering and provided ground investigation field works through Chung Shun. We undertake projects in both public and private sectors. During the Track Record Period and up to the Latest Practicable Date, we have completed 87 and 59 projects of foundation works and ground investigation field works, respectively. As at the Latest Practicable Date, we had 31 and 16 on-going projects (either in progress or yet to commence) of foundation works and ground investigation field works, respectively, with the total outstanding contract sum at approximately HK\$417.2 million and HK\$20.3 million, respectively. Approximately HK\$366.8 million and HK\$50.4 million of foundation works are expected to be completed before the financial year ending 31 March 2016 and 2017 respectively and all of the ground investigation work is expected to be completed before the financial year ending 31 March 2016.

Furthermore, during the Track Record Period, Wan Kei Machinery was engaged in machinery leasing and the revenue recognised has been recorded in rental income from machinery under other revenue in the Accountants' Report.

### **BASIS OF PRESENTATION OF FINANCIAL INFORMATION**

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law on 7 October 2014. Pursuant to a corporate reorganisation as set out in the paragraph headed "4. Corporate reorganisation" in Appendix IV – "Statutory and General Information" to this prospectus (the "Reorganisation"), our Company became the holding company of the companies now comprising our Group on 9 May 2015.

Our Group's businesses were conducted principally through Wan Kei Geotechnical Engineering Company Limited ("Wan Kei Engineering"), Wan Kei Machinery Company Limited ("Wan Kei Machinery") and Chung Shun Boring Engineering Company Limited ("Chung Shun"). These companies were controlled by Mr. Lau Woon Si, Mr. Fong Hon Hung and Mr. Leung Man Lun Stephen, who were acting in concert during the Relevant Period (the "Controlling Shareholders"). Mr. Lau Woon Si and Mr. Fong Hon Hung controlled these

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## FINANCIAL INFORMATION

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companies during the Relevant Periods through Chung Hang Enterprises Holdings Limited and Gold Crown Consultants Limited up to 20 November 2014 respectively and thereafter through Suntecli Company Limited and Samwood Global Limited respectively.

The companies that took part in the Reorganisation were controlled by the Controlling Shareholders before and after the Reorganisation. As the control is not transitory and, consequently, there was a continuation of the risks and benefits to the Controlling Shareholders, the Reorganisation is considered to be a restructuring of entities under common control. The financial information in the Accountants' Report included as Appendix I to this prospectus has been prepared using the merger basis of accounting as if the companies now comprising our Group have been combined at the beginning of the Track Record Period, or if established or became controlled by the Controlling Shareholders after 1 April 2012, from the later of their respective dates of establishment or the dates when they became controlled by the Controlling Shareholders.

### **FACTORS AFFECTING THE FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

Our financial conditions and results of operations have been and will continue to be affected by a number of factors, including those set out below and in the section "Risk Factors":

#### **Gross profit margin of significant foundation works projects**

During each of the three years ended 31 March 2015, our revenue and gross profit had been dominated by significant foundation works projects. Aggregate revenue from foundation works with recognised revenue of not less than HK\$13 million accounted for approximately 55.0%, 70.3% and 61.5% of our total revenue, respectively, having been contributed by 5, 4 and 7 projects, respectively. The gross profit margins for foundation works projects with recognised revenue not less than HK\$13 million were approximately 28.7%, 21.9% and 28.4%, respectively. The gross profit margins of these significant projects are affected by a number of factors, including but not limited to (i) the scope of work; (ii) the technical complexity; (iii) the geological conditions of the work sites; (iv) the supplemental and/or variation orders; and/or (v) the work programme of the main contractors, and will vary from project to project. There is no assurance that our gross profit margins of our significant projects will not decrease in the future. In the event that the gross profit margins of any of our significant future projects fall below our historical gross profit margins, our financial performance and profit would be adversely affected. Furthermore, in the event that the foundation industry experiences a downturn and the competition for price intensifies, our gross profit margin, financial performance and profitability may also be adversely affected.

#### **Demand for foundation works and ground investigation field works**

Our results are also affected by the number and availability of projects in Hong Kong, which in turn are affected by a number of factors, including but not limited to the general economic conditions in Hong Kong, changes relating to the Hong Kong construction

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## FINANCIAL INFORMATION

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industry, and the amount of investment in the construction of new infrastructure and improvement of existing infrastructure. The changes may increase or decrease the demand for our foundation works and ground investigation field works.

There is no assurance that the number of construction projects will not decrease in the future. In the event that the demand of foundation works and ground investigation field works decreases as a result of the reduction in the number of construction projects in Hong Kong, our business in general and our results of operation may be adversely and materially affected.

### **Collectability and timing of collection of our trade debtors and retention receivables**

We submit payment application to our customers and once our customer is satisfied with our payment application, a payment certificate will be issued to us. Our customer will usually retain up to 10% of each interim payment and up to a maximum limit of 5% of the total contract sum as retention money will be released to us on a timely basis.

As at 31 March 2015, our trade debtors and retention receivables are approximately HK\$24.3 million and HK\$52.6 million, respectively. Any failure by our customers to make payments to us on time and in full may have an adverse impact on our liquidity and financial position.

### **Pricing of our foundation works and ground investigation field works**

The foundation works and ground investigation field works depend on the use of labour. Our staff costs accounted for approximately 18.8%, 17.6% and 17.5% of the total direct costs for each of the three years ended 31 March 2015, respectively. The supply and cost of labour in Hong Kong are affected by the availability of labours in the market as well as economic factors in Hong Kong including the inflation rate and standard of living. There is no assurance that the supply of labour and average labour costs will be stable and that our Group will be able to identify and recruit staff members in replacement in a timely manner, which could have an adverse effect on our Group's operation.

### **Investment and the addition of machinery**

Our foundation works and ground investigation field works projects require the use of machinery. To attain our customer requirements, we need to invest in suitable machinery to cope with the latest development and maintain our competitiveness.

One of our future plans is to acquire additional machinery by utilising a portion of the net proceeds from the listing so as to enhance our capacity to cope with the expected business growth and facilitate more customer requirements. Such machinery includes but not limited to drilling rigs, air compressors, crawler cranes, grouting stations and crane lorries. As a result of the acquisition of additional machinery, it is expected that additional depreciation will be charged to our profit or loss account and may therefore affect our financial performance and operating results.

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## FINANCIAL INFORMATION

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### CRITICAL ACCOUNTING POLICIES

Our Group's significant accounting policies, which are relevant for the discussion and analysis of our financial condition and results of operations as included in this prospectus, are set forth in details in note 1 to the Accountants' Report set out in Appendix I to this prospectus. Critical accounting policies are those that are most important to the portrayal of our Group's results of operations and financial position and require management to exercise its judgment in the process of applying our Group's accounting policies. The assumptions and estimates are made based on historical experience and various assumptions that we believe to be reasonable, the results of which form the basis of judgments on our carrying amounts of assets and liabilities and our results. We believe the following critical accounting policies involve the most significant estimates and judgments used in the preparation of our Group's financial statements.

#### Significant accounting policies

##### Fixed assets

Fixed assets is stated at cost less accumulated depreciation and impairment losses.

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Furniture and fixtures	5 years
– Leasehold improvements	5 years
– Motor vehicles	5 years
– Machinery	4 – 5 years

Where parts of an item of fixed assets have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

##### Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if our Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.



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## FINANCIAL INFORMATION

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### *Classification of assets leased to our Group*

Assets that are held by our Group under leases which transfer to our Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to our Group are classified as operating leases.

### *Assets acquired under finance leases*

Where our Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely our Group will obtain ownership of the asset, the life of the asset, as set out above. Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

### *Operating lease charges*

Where our Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

### **Trade and other receivables**

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

We estimate the impairment allowances for trade and other receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgments. Allowances are applied to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed. We reassess the impairment allowances annually.

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## FINANCIAL INFORMATION

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### **Construction contracts**

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statements of financial position as the “Gross amounts due from customers for contract work” (as an asset) or the “Gross amounts due to customers for contract work” (as a liability), as applicable. Progress billings not yet paid by the customer are included under “Trade and other receivables”. Amounts received before the related work is performed are included under “Trade and other payables”.

### **Ground investigation services contracts**

Contract revenue on rendering of services comprises the contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads. When the outcome of a service contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a service contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Service contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statements of financial position as the “Gross amounts due from customers for contract work” (as an asset) or the “Gross amounts due to customers for contract work” (as a liability), as applicable. Progress billings not yet paid by the customer are included under “Trade and other receivables”. Amounts received before the related work is performed are included under “Trade and other payables”.

### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to our Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

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## FINANCIAL INFORMATION

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### *Construction contract revenue*

Revenue from construction contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established according to the progress payment application (by reference to the amount of completed works confirmed by in-house surveyor) submitted to the customers.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer or the outcome of which can be estimated reliably by management and are capable of being reliably measured.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

### *Ground investigation services revenue*

Revenue from ground investigation services is recognised based on the stage of completion of the service contracts, provided that the stage of service contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a service contract is established according to progress certificates issued by customers.

Variations in contract work, claims and incentive payments are included in service contract revenue to the extent that they have been agreed with the customer or the outcome of which can be estimated reliably by management and are capable of being reliably measured.

When the outcome of a service contract cannot be estimated reliably, revenue is recognised only to the extent of service contract costs incurred that it is probable will be recoverable.

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## FINANCIAL INFORMATION

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### SUMMARY OF COMBINED FINANCIAL AND OPERATING DATA

The following combined statements of profit or loss and comprehensive income and combined statements of financial position are extracted from the Accountants' Report set forth in Appendix I to this prospectus.

#### Combined statements of profit or loss and comprehensive income

	<b>Year ended 31 March</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	255,112	325,455	408,128
Direct costs	<u>(189,263)</u>	<u>(256,736)</u>	<u>(293,962)</u>
Gross profit	65,849	68,719	114,166
Other revenue	169	2,066	1,675
Other net income	609	147	840
General and administrative expenses	<u>(18,823)</u>	<u>(22,910)</u>	<u>(39,283)</u>
	47,804	48,022	77,398
Finance costs	<u>(244)</u>	<u>(742)</u>	<u>(642)</u>
Profit before taxation	47,560	47,280	76,756
Income tax	<u>(7,814)</u>	<u>(7,786)</u>	<u>(14,450)</u>
Profit and total comprehensive income for the year	<u><u>39,746</u></u>	<u><u>39,494</u></u>	<u><u>62,306</u></u>
Attributable to:			
Equity shareholders of the company	39,702	39,368	62,000
Non-controlling interest	<u>44</u>	<u>126</u>	<u>306</u>
Profit and total comprehensive income for the year	<u><u>39,746</u></u>	<u><u>39,494</u></u>	<u><u>62,306</u></u>

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## FINANCIAL INFORMATION

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### Combined statements of financial position

	At 31 March		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>			
Fixed assets	44,779	59,491	44,339
Prepayment	2,872	–	50
Club memberships	400	400	400
Deferred tax assets	34	138	149
	<u>48,085</u>	<u>60,029</u>	<u>44,938</u>
<b>Current assets</b>			
Gross amounts due from customers for contract work	58,560	53,683	55,191
Trade and other receivables	64,752	61,177	90,145
Amounts due from related parties	760	9,025	–
Tax recoverable	239	–	7,090
Cash and cash equivalents	16,151	66,049	74,956
	<u>140,462</u>	<u>189,934</u>	<u>227,382</u>
<b>Current liabilities</b>			
Gross amounts due to customers for contract work	7,340	18,701	15,306
Trade and other payables	43,075	53,742	27,518
Dividend payable	–	–	60,000
Amounts due to related parties	5,443	1,494	–
Bank loans	186	–	–
Obligations under finance leases	6,703	11,346	9,197
Tax payable	5,440	4,422	4,246
	<u>68,187</u>	<u>89,705</u>	<u>116,267</u>
<b>Net current assets</b>	<b>72,275</b>	<b>100,229</b>	<b>111,115</b>
<b>Total assets less current liabilities</b>	<b>120,360</b>	<b>160,258</b>	<b>156,053</b>
<b>Non-current liabilities</b>			
Obligations under finance leases	6,714	10,203	3,201
Provision for long service payment	430	334	861
Deferred tax liabilities	3,421	4,932	4,896
	<u>10,565</u>	<u>15,469</u>	<u>8,958</u>
<b>NET ASSETS</b>	<b><u>109,795</u></b>	<b><u>144,789</u></b>	<b><u>147,095</u></b>

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## FINANCIAL INFORMATION

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	At 31 March		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>CAPITAL AND RESERVES</b>			
Share capital	10,350	10,350	10,350
Reserves	<u>99,063</u>	<u>133,981</u>	<u>136,130</u>
<b>Total equity attributable to equity shareholders of the Company</b>	<b>109,413</b>	<b>144,331</b>	<b>146,480</b>
Non-controlling interests	<u>382</u>	<u>458</u>	<u>615</u>
	<u><u>109,795</u></u>	<u><u>144,789</u></u>	<u><u>147,095</u></u>

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## FINANCIAL INFORMATION

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### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

#### REVENUE

Our Group's revenue was derived from conducting foundation works and ground investigation field works in Hong Kong. As a subcontractor, we conduct foundation works that mainly include construction of socketed H-piles, mini piles, soldier piles, pipe piles and king posts. As a main contractor, we conduct ground investigation field works that mainly involve the drilling of holes in the ground, the extraction of samples of soil and/or rock from various spots and at various depths on the site for laboratory testing and the preparation of ground investigation report. Our revenue for each of the three years ended 31 March 2015 had been generated predominantly by foundation works undertaken by our Group. Revenue from foundation works represented approximately 86.9%, 89.4% and 89.0%, respectively of our total revenue, while, revenue from our ground investigation field works represented approximately 13.1%, 10.6% and 11.0%, respectively of our total revenue.

The following table sets out a breakdown of (i) our revenue from foundation works projects with recognised revenue of not less than HK\$13 million in each of the three years ended 31 March 2015; (ii) aggregate revenue from foundation works projects with recognised revenue of less than HK\$13 million in each of the three years ended 31 March 2015; (iii) our revenue from ground investigation field works projects; and (iv) total revenue recognised for each category of revenue from the commencement of the Track Record Period and up to the Latest Practicable Date as follows:

## FINANCIAL INFORMATION

Project <sup>(Note 1)</sup>	Financial year of commencement	Year ended 31 March			Total revenue recognised since commencement of TRP up to LPD HK\$'000	%	Status at LPD
		2013 HK\$'000	2014 HK\$'000	2015 HK\$'000			
F1	2012	24,347	-	-	32,405	3.0	completed
F2	2013	31,115	-	-	33,567	3.1	completed
F3	2013	20,474	-	-	22,197	2.1	completed
F4	2013	49,466	64,843	-	124,935	11.7	completed
F5	2013	14,876	119,319	51,729	193,897	18.2	in progress
F6	2014	-	18,575	-	28,321	2.7	in progress
F7	2014	-	26,141	-	28,324	2.7	completed
F8	2014	-	-	42,249	44,290	4.2	completed
F9	2014	-	-	57,102	77,697	7.3	in progress
F10	2014	-	-	15,294	20,898	2.0	completed
F11	2014	-	-	23,554	27,132	2.5	in progress
F12	2015	-	-	33,839	33,839	3.2	in progress
F13	2015	-	-	27,192	27,920	2.6	in progress
Aggregate revenue from foundation works		140,278	228,878	250,959	695,422	65.3	
projects of recognised revenue of less than HK\$13 million <sup>(Note 2)</sup> in value		81,287	62,121	112,111	252,191	23.5	



## FINANCIAL INFORMATION

Project <sup>(Note 1)</sup>	Financial year of commencement		Year ended 31 March		Total revenue recognised since commencement of TRP up to LPD HK\$'000	Status at LPD %
	2013 HK\$'000	2014 HK\$'000	2015 HK\$'000	2015 HK\$'000		
Foundation works revenue	221,565	290,999	363,070	947,613	88.8	
GII/2 2012/2014 ground investigation fieldworks <sup>(Note 3)</sup>	27,307	28,799	29,170	87,697	8.2	
Other ground investigation field works	6,240	5,657	15,888	31,710	3.0	
Ground investigation field works revenue	<u>33,547</u>	<u>34,456</u>	<u>45,058</u>	<u>119,407</u>	<u>11.2</u>	
<b>Total Revenue</b>	<u><u>255,112</u></u>	<u><u>325,455</u></u>	<u><u>408,128</u></u>	<u><u>1,067,020</u></u>	<u><u>100.0</u></u>	

*Notes:*

- For details of the projects, please refer to the tables under the paragraph headed "Business – Our Works – Our projects" in this prospectus.
- The HK\$13 million threshold has been set so that the aggregate revenue of significant projects for each of the three years ended 31 March 2015 constitutes not less than 50% of our total revenue for each year. Aggregate revenue from foundation works projects with recognised revenue of not less than HK\$13 million for each of the three years ended 31 March 2015, represented approximately 55.0%, 70.3% and 61.5%, respectively of our total revenue. Please refer to "Financial Information – Gross Profit" section for a summary of the gross profit margins for foundation works projects with recognised revenue of not less than HK\$13 million and those less than HK\$13 million.
- "GII/2 2012/2014" refers to revenue pertaining to ground investigation field works projects GI1 and GI2 awarded to us by Customer D, as the main contractor for public ground investigation field works projects, during each of the three years ended 31 March 2015, respectively.

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## FINANCIAL INFORMATION

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During each of the three years ended 31 March 2015, aggregate revenue from foundation works with recognised revenue of not less than HK\$13 million of approximately HK\$140.3 million, HK\$228.9 million and HK\$251.0 million, respectively accounted for approximately 55.0%, 70.3% and 61.5% of our total revenue, respectively, having been contributed by 5, 4 and 7 projects, respectively. Meanwhile, aggregate revenue from foundation works with recognised revenue of less than HK\$13 million of approximately HK\$81.3 million, HK\$62.1 million and HK\$112.1 million, respectively accounted for approximately 31.9%, 19.1% and 27.5% of our total revenue, respectively, having been contributed by 32, 42 and 54 projects, respectively. During the Track Record Period, foundation works projects F4 and F5 had made the highest contributions to our Group in terms of revenue. Construction works in respect of those two projects had commenced in FY2013 and were in full swing in FY2014. During the year ended 31 March 2015 and up to the Latest Practicable Date, while foundation works project F4 was completed, foundation works project F5 still continued to make significant contributions to our Group in terms of revenue. We recorded revenue for ground investigation field works of approximately HK\$33.5 million, HK\$34.5 million and HK\$45.1 million, respectively for each of the three years ended 31 March 2015, representing approximately 13.1%, 10.6% and 11.0% of our total revenue, respectively. Revenues from our ground investigation field works were contributed by 8, 10 and 20 projects, respectively. Our ability to sustain a stable level of revenue in respect of ground investigation field works upon a smaller number of projects since FY2013 was attributable to ground investigation field works project GI1 awarded to us by the Customer D in November 2011, as the main contractor for public ground investigation field works. Upon expiry of ground investigation field works project GI1 in November 2013, we entered into ground investigation field works project GI2 with the Customer D, which will expire in November 2015. The increase in the number of ground investigation field works projects during the year ended 31 March 2015 was due to the increased proportion of private ground investigation field works project during the year. During each of the three years ended 31 March 2015, there were 4, 2 and 5 customers which individually contributed over 10% of our Group's revenue, respectively. The aggregate amount of revenue from these customers accounted for approximately 63.2%, 56.8% and 65.8% of our total revenue, respectively.

The year-on-year increases in revenue of our Group for FY2013, FY2014 and FY2015 corresponded to the increase in construction activities in Hong Kong during the same period. Please refer to the "Industry Overview" section in this prospectus for further details concerning the foundation industry in Hong Kong. Further, please also refer to the paragraph headed "Business – Our Works – Our Projects" in this prospectus for (i) further details concerning foundation works projects F1 to F13; (ii) further details concerning revenues from ground investigation field works projects GI1 and GI2; and (iii) an analysis of revenue recognised between public and private sectors during the Track Record Period and after the Track Record Period and up to the Latest Practicable Date; and the paragraph headed "Business – Our Customers" in this prospectus for details about our customers.

## FINANCIAL INFORMATION

### DIRECT COSTS

The following tables set out a summary of cost of sales for each of the three years ended 31 March 2015:

	2013			2014			2015		
	Direct costs for foundation works	Direct costs for investigation works	Total direct costs	Direct costs for foundation works	Direct costs for investigation works	Total direct costs	Direct costs for foundation works	Direct costs for investigation works	Total direct costs
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Steel	19,665	–	19,665	14,578	–	14,578	28,607	–	28,607
Cement	10,359	157	10,516	18,434	235	18,669	18,676	255	18,931
Diesel fuel	18,738	112	18,850	24,256	146	24,402	20,922	202	21,124
Machinery spare part	21,197	1,815	23,012	27,750	1,699	29,449	27,817	2,006	29,823
<b>Total construction material and consumable costs</b>	<b>69,959</b>	<b>2,084</b>	<b>72,043</b>	<b>85,018</b>	<b>2,080</b>	<b>87,098</b>	<b>96,022</b>	<b>2,463</b>	<b>98,485</b>
Sub-subcontracting charges	26,073	13,259	39,332	41,907	11,489	53,396	55,541	14,119	69,660
Labour costs	29,325	6,264	35,589	38,577	6,667	45,244	43,190	8,249	51,439
Machinery rental costs	16,174	64	16,238	25,658	90	25,748	19,274	81	19,355
Depreciation	10,527	146	10,673	17,201	278	17,479	18,849	348	19,197
Transportation expenses	5,116	1,066	6,182	9,604	1,060	10,664	14,249	1,513	15,762
Repair and maintenance	3,529	391	3,920	5,571	711	6,282	10,037	440	10,477
Other costs	1,940	3,346	5,286	8,055	2,770	10,825	6,927	2,660	9,587
<b>Total direct costs</b>	<b>162,643</b>	<b>26,620</b>	<b>189,263</b>	<b>231,591</b>	<b>25,145</b>	<b>256,736</b>	<b>264,089</b>	<b>29,873</b>	<b>293,962</b>

Total direct costs primarily consist of (i) costs of construction material and consumable; (ii) sub-subcontracting charges; (iii) labour costs; (iv) machinery rental costs; (v) repairs and maintenance; and (vi) transportation expenses. Construction material and consumable costs mainly represent costs of raw material consumed in the course of foundation works projects such as steel, cement, diesel fuel and machinery spare parts (i.e. drill rod and drill bits). Sub-subcontracting charges represent direct costs paid to sub-subcontractors who took part in our foundation works projects. Staff costs represent labour costs paid to workers who are directly involved in foundation works projects. Machinery rental costs represent mainly costs incurred for hiring crawler cranes for lifting heavy construction materials and machinery at the construction sites, drilling rigs and automatic grouting stations. Repairs and maintenance costs represent costs incurred to fix wear and tear inflicted on machinery and equipment through normal use. Transportation expenses represent fees paid for transporting our machinery and equipment between construction sites and workshops as well as costs for handling the excavated soil and garbage generated on-site.

Aggregate construction material and consumable costs, subcontracting charges and staff costs accounted for approximately 77.7%, 72.3% and 74.7% of total direct costs during each of the three years ended 31 March 2015. The proportion of construction material and consumable costs, subcontracting charges and staff costs varies from project to project depending on the nature and size of our project.

Direct material and labour costs for construction of socketed H-piles and mini piles are mainly driven by factors such as (i) man and machine hours for drilling, splicing and grouting; (ii) permissible working hour per day and idle time; (iii) the depth of bedrock or firm-soil strata; (iv) the site and sub-soil condition and the size and complexity of work

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## FINANCIAL INFORMATION

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involved (which drives labour and machine time costs as well as consumable costs); (v) whether permanent steel casing and/or non-retractable drill bits are being used; (vi) the pile type (e.g. H-steel beams or steel pipes); and (vii) the number of bore holes. Meanwhile, direct materials and labour costs for construction of soldier piles, pipe piles and grout curtain are mainly driven by (i) the volume of drilling, splicing and grouting activities conducted in close successions along the excavation perimeter; (ii) the area of the construction site; (iii) the permissible working hour per day and idle time; (iv) the depth of bore holes; and (v) the site and sub-soil condition. Further, as socketed H-piles and mini piles are mainly designed to take on vertical or lateral loading from the building or structure above, their construction is normally subject to more stringent inspection and testing requirements than foundation works relating to pipe piling, soldier piling and grout curtain construction works. Such activities become cost drivers for increased time costs and inspection and testing related expenses.

For each of the three years ended 31 March 2015, our total purchase cost of construction materials and consumables amounted to approximately HK\$72.0 million, HK\$87.1 million and HK\$98.5 million, representing approximately 38.1%, 33.9% and 33.5% of total costs of sales, respectively. When the market price of the construction and consumable materials increases, we can pass on price increases to our customers at the time of quotation. Nevertheless, our construction contracts do not include any price adjustment mechanism for market price fluctuation of the construction materials. For details concerning measures taken by our Group to minimise exposure to construction materials and consumables price fluctuation during construction, please refer subsection under “Financial Information – Our Supplier – Procurement of construction materials and Procurement of diesel fuel” in this prospectus.

For each of the three years ended 31 March 2015, our aggregate sub-subcontracting charges and staff costs amounted to approximately HK\$74.9 million, HK\$98.6 million, and HK\$121.1 million, representing approximately 39.6%, 38.4% and 41.2% of total costs of sales, respectively. Our aggregate sub-subcontracting charges and staff costs fluctuated generally with our workload during each reporting period. To cope with expanding workload posed by foundation works projects F4 and F5 in FY2014, our number of site management staff increased from 22 as at 31 March 2013 to 29 as at 31 March 2014, while, our number of construction workers increased from 111 as at 31 March 2013 to 121 as at 31 March 2014. The number of site management staff and construction workers decreased to 25 and 108, respectively as at 31 March 2015 due to casual vacancy created due to departures of relevant staff. Further, the average number of construction workers were 111, 157 and 174 during each of the three years ended 31 March 2015 respectively. The increase in labour costs for the year ended 31 March 2015, despite a decrease in staff number, was mainly due to the increased bonus payment of approximately HK\$1.1 million compared to the preceding year and the increase in the average number of construction workers and the salary increment during the year ended 31 March 2015. We rely on our sub-subcontractors to augment our workforce. The level of sub-subcontracting costs incurred by our Group in any given reporting period were influenced by factors such as (i) the number of concurrent jobs at any given point in time; (ii) the target completion date of each project; and (iii) the size and complexity of each project. Please refer to the paragraph headed “Business – Our

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Suppliers – Sub-subcontracting” in this prospectus for further details about our sub-subcontractors. A large proportion of our ground investigation field works is outsourced to sub-subcontractors during each reporting period.

For each of the three years ended 31 March 2015, our machinery rental costs amounted to approximately HK\$16.2 million, HK\$25.7 million and HK\$19.4 million, respectively, representing approximately 8.6%, 10.0% and 6.6% of total costs of sales, respectively. Our machinery rental costs fluctuated with the size and progress of our foundation and ground investigation field works during each reporting period.

For each of the three years ended 31 March 2015, our transportation costs amounted to approximately HK\$6.2 million, HK\$10.7 million and HK\$15.8 million, respectively, representing approximately 3.3%, 4.2% and 5.4% of total costs of sales, respectively. Our transportation costs fluctuated with the size and progress of our foundation and ground investigation field works during each reporting period.

For each of the three years ended 31 March 2015, our costs of repair and maintenance amounted to approximately HK\$3.9 million, HK\$6.3 million and HK\$10.5 million, respectively, representing approximately 2.1%, 2.5% and 3.6% of total costs of sales, respectively. Our repairs and maintenance costs fluctuated with the size, progress and sub-soil condition of our foundation and ground investigation field works during each reporting period.

For each of the three years ended 31 March 2015, our other costs of sales amounted to approximately HK\$5.3 million, HK\$10.8 million and HK\$9.6 million, respectively, representing approximately 2.8%, 4.2% and 3.3% of total costs of sales, respectively. Our other costs of sales related to government levies, entertainment, test reports and other site expenses.

The following sensitivity analysis illustrates the impact of hypothetical changes, based on historical fluctuations during the Track Record Period, in costs of steel and cement, diesel fuel sub-subcontracting charges and staff costs under cost of sales for the respective periods during the Track Record Period:

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**FINANCIAL INFORMATION**

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**Sensitivity analysis on price of steel**

% change in price of steel	Year ended 31 March					
	2013		2014		2015	
	Corresponding change in direct costs <i>HK\$'000</i>	%	Corresponding change in direct costs <i>HK\$'000</i>	%	Corresponding change in direct costs <i>HK\$'000</i>	%
10%	1,967	1.0%	1,458	0.6%	2,861	1.0%
5%	983	0.5%	729	0.3%	1,430	0.5%
2%	393	0.2%	292	0.1%	572	0.2%
-2%	(393)	-0.2%	(292)	-0.1%	(572)	-0.2%
-7%	(1,377)	-0.7%	(1,020)	-0.4%	(2,002)	-0.7%
-12%	(2,360)	-1.2%	(1,749)	-0.7%	(3,433)	-1.2%

**Sensitivity analysis on price of cement**

% change in price of cement	Year ended 31 March					
	2013		2014		2015	
	Corresponding change in direct costs <i>HK\$'000</i>	%	Corresponding change in direct costs <i>HK\$'000</i>	%	Corresponding change in direct costs <i>HK\$'000</i>	%
11%	1,157	0.6%	2,054	0.8%	2,082	0.7%
9%	946	0.5%	1,680	0.7%	1,704	0.6%
7%	736	0.4%	1,307	0.5%	1,325	0.5%
5%	526	0.3%	933	0.4%	947	0.3%
2%	210	0.1%	373	0.1%	379	0.1%

**Sensitivity analysis on price of diesel fuel**

% change in price of diesel fuel	Year ended 31 March					
	2013		2014		2015	
	Corresponding change in direct costs <i>HK\$'000</i>	%	Corresponding change in direct costs <i>HK\$'000</i>	%	Corresponding change in direct costs <i>HK\$'000</i>	%
11%	2,074	1.1%	2,684	1.0%	2,324	0.8%
9%	1,697	0.9%	2,196	0.9%	1,901	0.6%
7%	1,320	0.7%	1,708	0.7%	1,479	0.5%
5%	943	0.5%	1,220	0.5%	1,056	0.4%
2%	377	0.2%	488	0.2%	422	0.1%

*Note 1* Diesel fuel is one of the key components of our Group's construction material. For each of the three years ended 31 March 2015, our diesel fuel cost amounted to approximately HK\$18.9 million, HK\$24.4 million and HK\$21.1 million, representing approximately 10.0%, 9.5% and 7.2% of total costs of sales, respectively. The monetary amount of diesel fuel consumed by our Group for the year ended 31 March

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2015 was approximately HK\$21.1 million, with a weighted average cost per litre for the year of approximately HK\$6.48 per litre. There has been a decline in unit diesel fuel cost per litre during the year ended 31 March 2015. The highest unit diesel fuel cost of approximately HK\$7.05 per litre was recorded in April 2014, while the lowest unit diesel fuel cost of approximately HK\$4.30 per litre was recorded in March 2015. Should the highest and lowest diesel unit cost be applied to the actual quantity of diesel fuel consumed by our Group for the year ended 31 March 2015 of approximately 3.2 million litre, the amount of diesel consumption by our Group during the financial year ended 31 March 2015 would have been approximately HK\$22.6 million and approximately HK\$13.8 million respectively.

### Sensitivity analysis on price of sub-subcontractor charges

% change in price of sub-subcontractor charges	Year ended 31 March					
	2013		2014		2015	
	Corresponding change in direct costs <i>HK\$'000</i>	%	Corresponding change in direct costs <i>HK\$'000</i>	%	Corresponding change in direct costs <i>HK\$'000</i>	%
15%	5,900	3.1%	8,009	3.1%	10,449	3.6%
12%	4,720	2.5%	6,408	2.5%	8,359	2.8%
8%	3,147	1.7%	4,272	1.7%	5,573	1.9%
6%	2,360	1.2%	3,204	1.2%	4,180	1.4%
3%	1,180	0.6%	1,602	0.6%	2,090	0.7%

### Sensitivity analysis on price of staff costs

% change in price of staff costs	Year ended 31 March					
	2013		2014		2015	
	Corresponding change in direct costs <i>HK\$'000</i>	%	Corresponding change in direct costs <i>HK\$'000</i>	%	Corresponding change in direct costs <i>HK\$'000</i>	%
15%	5,338	2.8%	6,787	2.6%	7,716	2.6%
12%	4,271	2.3%	5,429	2.1%	6,173	2.1%
8%	2,847	1.5%	3,620	1.4%	4,115	1.4%
6%	2,135	1.1%	2,715	1.1%	3,086	1.0%
3%	1,068	0.6%	1,357	0.5%	1,543	0.5%

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## FINANCIAL INFORMATION

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### GROSS PROFIT

The following table sets out a breakdown of gross profit and gross profit margin of our Group by segment for each of the three years ended 31 March 2015:

	<b>Year ended 31 March</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Gross Profit</b>			
Foundation construction	58,922	59,409	98,981
Ground investigation services	6,927	9,310	15,185
<b>Total</b>	<b>65,849</b>	<b>68,719</b>	<b>114,166</b>
<b>Gross profit margin</b>			
Foundation construction	26.6%	20.4%	27.3%
Ground investigation services	20.6%	27.0%	33.7%
Overall (i.e. total gross profit divided by turnover)	25.8%	21.1%	28.0%
Foundation works projects with recognised revenue			
– not less than HK\$13 million	28.7%	21.9%	28.4%
– less than HK\$13 million	25.8%	19.3%	24.7%

### Year ended 31 March 2015 compared to year ended 31 March 2014

Our gross profit increased by approximately HK\$45.5 million or 66.2% from approximately HK\$68.7 million for the year ended 31 March 2014 to approximately HK\$114.2 million for the year ended 31 March 2015. Meanwhile, our gross profit margin increased from approximately 21.1% for the year ended 31 March 2014 to approximately 28.0% for the year ended 31 March 2015. The increase in our gross profit margin was driven by an increase in both gross profit margin pertaining to each of the foundation construction and ground investigation services segments from approximately 20.4% to 27.3% and 27.0% to 33.7%, respectively.

#### – *foundation construction segment*

The increase in gross profit margin for the foundation construction segment was mainly attributable to the higher gross margin achieved by foundation works project F9 and F5, partially offset by the lower margins from foundation works project F10 and F11. F9 and F5 accounted for approximately 14.0% and 12.7%, respectively, of our total revenue for the year ended 31 March 2015 and contributed substantially towards our gross profit for that year, whereas, F10 and F11 accounted approximately 3.7% and 5.8%, respectively, of our total revenue for the same year. The higher gross margin for F9 was attributable to substantial cost savings in man power terms achieved through the deployment of more powerful drilling machinery as dictated by the site condition. Meanwhile, F5, which was



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previously a H-Pile only project, had improved its gross profit margin by expanding its scope to include more profitable pipe-piling work ensued from a variation order during the year. Please refer to the paragraph under “Financial Information – Direct Costs” in this prospectus for further discussions on differing cost drivers for pipe-piling and H-piles foundation works. The gross profit margin for F10 was low due to high machining cost associated with drilling through rocky layer, meanwhile, F11’s proximity to the sea had increased its complexity and in turn negatively impacted its profitability.

– *Ground investigation services segment*

The increase in gross profit margin for ground investigation services segment was mainly attributable to labour shortages ensued from an unexpected upsurge in demand for public works projects prevailing the year ended 31 March 2014, which had led to higher recorded subcontracting charges in the same period last year. Moreover, the higher gross profit margin for the year ended 31 March 2015 was mainly attributable to cost savings achieved through the deployment of an ultrasound scanner acquired in January 2014 and partly to the higher proportion of private works projects that carried higher gross profit margins.

**Year ended 31 March 2014 compared to year ended 31 March 2013**

Our gross profit increased slightly by approximately HK\$2.9 million or 4.4% from approximately HK\$65.8 million for the year ended 31 March 2013 to approximately HK\$68.7 million for the year ended 31 March 2014. Meanwhile, our gross profit margin decreased from approximately 25.8% for the year ended 31 March 2013 to approximately 21.1% for the year ended 31 March 2014. The decrease in overall gross profit margin was mainly driven by a decrease in gross margin for foundation construction segment from approximately 26.6% to 20.4% offset by an increase in gross margin for ground investigation services segment approximately 20.6% to 27.0%.

– *foundation construction segment*

The decrease in gross profit margins in respect of foundation construction segment was a result of the net effect of the gross profit margins achieved by our top two contributors to revenue in FY2014, namely, foundation works projects F5 and F4, which accounted for approximately 36.7% and 19.9%, respectively, of our total revenue for FY2014 and contributed substantially towards our gross profit for that year. F5 involved the construction of more than 700 socketed H-Piles over an extensive site with an underlying rock layer below the surface. The sheer scale and complexity negatively impacted the gross profit margin of F5. Meanwhile, F4 commanded a relatively higher gross margin due to its relative simplicity as a pre-boring only project that did not involve any pile construction nor construction material input.

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– *Ground investigation services segment*

The increase in gross profit for the ground investigation services segment was mainly attributable to the savings on borehole imaging costs through the deployment of an ultrasound scanner acquired in January 2014, offset partly by an increase in subcontracting charges due to labour shortages ensued from an unexpected upsurge in demand for public works projects during FY2014.

**Analysis of gross profit margin in respect of foundation works projects with recognised revenue of not less than HK\$13 million and those less than HK\$13 million**

The gross profit margin of foundation works projects with recognised revenue of not less than HK\$13 million (“Not-less-than-HK\$13-million projects”) for each of the three years ended 31 March 2015 was generally higher than those with recognised revenue of less than HK\$13 million (“Less-than-HK\$13-million projects”). The relatively lower gross profit margins in respect of Less-than-HK\$13-million projects were due to competitive pricing strategy adopted by the Group in face of more intense competition with respect to those projects.

The significantly higher gross margin of approximately 28.4% recorded in respect of Not-less-than-HK\$13-million projects for the year ended 31 March 2015 as compared to Less-than-HK\$13-million of approximately 24.7% for the same year was mainly attributable to the higher margins carried by foundation works projects F9 and F5.

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### ADMINISTRATIVE EXPENSES

Administrative expenses mainly include staff costs, Directors' remuneration and benefits, operating lease rental on land and building, legal and professional fees, entertainment, motor vehicles and travelling expenses, and other administrative expenses. The following table sets out a breakdown of our administrative expenses for each of the three years ended 31 March 2015.

	<b>Year ended 31 March</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Staff costs, including Directors' emoluments	9,867	12,852	16,173
Motor vehicles and travelling expenses	2,264	2,576	3,026
Operating lease rental on land and buildings	1,689	1,737	1,889
Entertainment	1,132	1,381	1,647
Insurance	–	14	543
Legal and professional fee	709	693	12,550
Depreciation	713	770	982
Telephone and fax	310	340	360
Auditors' remuneration	173	245	245
Others	1,966	2,302	1,868
	<u>18,823</u>	<u>22,910</u>	<u>39,283</u>

#### *Staff costs including Directors' emoluments*

During each of the three years ended 31 March 2015, staff costs for management and administration staff increased from approximately HK\$9.9 million for the year ended 31 March 2013 to HK\$12.9 million for the year ended 31 March 2014 to HK\$16.2 million for the year ended 31 March 2015. The increase in staff costs during the year ended 31 March 2014 was mainly attributable to the increase in the number of management and administration staff from 29 as at 31 March 2013 to 37 as at 31 March 2014. The number of management and administration staff was 34 as at 31 March 2015. The increase in staff costs for the year ended 31 March 2015 was mainly due to the increased bonus payment of approximately HK\$1.0 million, and the increased director's emoluments of approximately HK\$1.7 million compared to the preceding year.

Our Directors' remuneration and benefits related to Directors' salaries, allowances and benefit in kind, mandatory provident fund contribution and discretionary bonuses. During each of the three years ended 31 March 2015, the Directors' remuneration and benefits, which amounted to approximately HK\$4.8 million, HK\$7.0 million and HK\$8.8 million, respectively, had been recorded in administrative expenses under staff costs. The increase in Director's remuneration and benefits since the year ended 31 March 2013 was mainly attributable to the increase in Directors' fees.

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### *Operating lease rental on land and building*

Our Group incurred operating lease rental on land and building expenses in respect of office premises, two warehouses, and open storage and service depot for our machinery and equipment. The office premises and storage depot occupied by us were leased from two associates of a Controlling Shareholder. Accordingly, those landlords are connected persons of our Company for Listing Rules purposes. Please refer to the subsection headed “Connected Transactions – Exempted Continuing Connected Transactions” in this prospectus for further details. The two warehouses were leased from landlords, who are Independent Third Parties.

### *Legal and professional fees*

Our legal and professional fees primarily related to (i) the initial public offering of our Company; and (ii) the safety consultancy fees incurred by our Group. The legal and professional fees recorded in administrative expenses for each of the three years ended 31 March 2015 approximately HK\$0.7 million, HK\$0.7 million and HK\$12.6 million, respectively. The legal and professional fees recorded during the Track Record Period were largely related to safety consultancy fees incurred by our Group. The higher level of professional fees recorded in the year ended 31 March 2015 were largely attributable to the professional fees incurred in relation to the initial public offering of approximately HK\$10.8 million.

### *Other administrative expenses*

Our other administrative expenses included motor vehicles and travelling expenses, entertainment, insurance, telephone and fax charges, auditor’s remuneration and other sundry expenses. The year-on-year increases in other administrative expenses over the Track Record Period were driven by our business expansion. Our motor vehicles expenses consisted of motor vehicles repair and maintenance costs, fuel costs, vehicle registration licence fees and insurance.

## **FINANCE COSTS**

Our finance costs mainly represent interest expenses for bank loans and interest expenses on obligations under finance leases of machinery and equipment. During each of the three years ended 31 March 2015, our bank loans bore interest, ranging from 2.75% to 3.25%, 2.75% and nil, respectively. Meanwhile, the weighted average interest rate for our obligations under finance leases for the same years were approximately 3.44%, 3.83% and 2.92% respectively. We had no bank overdrafts as at 31 March 2013, 2014 and 2015. Aggregate finance costs related to our outstanding bank loans, obligations under finance leases for each of the three years ended 31 March 2015 were approximately, HK\$0.2 million, HK\$0.7 million and HK\$0.6 million, respectively. The year-on-year increases in finance cost over the Track Record Period were mainly attributable to the increase in interest expenses on obligations under finance leases of machinery and equipment. Interest coverage, which is calculated by dividing profit from operations for a given year by finance costs recorded for the same year, for each of the three years ended 31 March 2015 were 195.2 times, 64.7 times, and 120.5 times, respectively.

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### INCOME TAX EXPENSES

Our Group was not subject to any income tax in the Cayman Islands during each of the three years ended 31 March 2015. The provision for Hong Kong profits tax was calculated at 16.5% of the relevant estimated assessable profits during the Track Record Period.

For the year ended 31 March 2015, our Group incurred income tax expenses of approximately HK\$14.4 million, representing an effective tax rate of approximately 18.8%, which is slightly higher than Hong Kong profit tax rate. In arriving at the taxable profit for individual member within our Group, non-deductible expenses and non-taxable income arose primarily from listing expenses and income from intra-group leasing of machinery (as discussed below) respectively were adjusted from the accounting profit for the period. The tax effect of such non-deductible expenses and non-taxable income amounted to approximately HK\$2.0 million and HK\$0.2 million respectively.

For the year ended 31 March 2014, our Group incurred income tax expenses of approximately HK\$7.8 million, representing an effective tax rate of approximately 16.5%, which is comparable with Hong Kong profit tax rate. In arriving at the taxable profit for individual member within our Group, aggregated expenses of approximately HK\$0.3 million, which are not deductible for tax purposes, were added back while non-taxable income of approximately HK\$0.3 million arose from intra-group leasing of machinery (as discussed below) was deducted from the accounting profit for the year.

For the year ended 31 March 2013, our Group incurred income tax expenses of approximately HK\$7.8 million, representing an effective tax rate of approximately 16.5%, which is comparable with Hong Kong profit tax rate. In arriving at the taxable profit for individual member within our Group, no major adjustments had been made to the accounting profit for the year.

#### *Machinery lease agreement*

On 1 June 2013, Wan Kei Machinery, as owner, entered into a rental agreement with Wan Kei (Macau), as hirer, to rent one set of air compressor and three sets of drilling rigs at a total sum of HK\$59,378.07 per unit per week (excluding the cost of diesel fuel and transportation charges) for a period from 1 June 2013 to 31 December 2014.

Our Directors confirm that the Machinery lease agreement is for the purpose of providing the leased machines, made available by Wan Kei Machinery, for the use of Wan Kei (Macau), and the leasing income is a commercial consideration to reward the owner of the asset for providing the right of use to the lessee.

#### *Hong Kong taxation*

The aforesaid intra-group leasing income of approximately HK\$1.6 million and HK\$1.0 million recorded in year ended 31 March 2014 and the year ended 31 March 2015 derived by Wan Kei Machinery from the leasing of machinery and equipment to Wan Kei (Macau) are considered to be income attributable to the provision of machinery and equipment for

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use exclusively in Macau. Our Directors consider that such income from intra-group leasing is regarded as sourced outside of Hong Kong and is not chargeable to Hong Kong tax pursuant to section 15(1)(d) of the Inland Revenue Ordinance.

### PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

#### Year ended 31 March 2015 compared to year ended 31 March 2014

##### *Revenue*

Our revenue increased by approximately HK\$82.6 million, or 25.4%, from approximately HK\$325.5 million for the year ended 31 March 2014 to approximately HK\$408.1 million for the year ended 31 March 2015. Such increase was primarily attributable to the increased revenue recognised for our foundation works projects by approximately HK\$72.1 million or 24.8%, from approximately HK\$291.0 million for the year ended 31 March 2014 to approximately HK\$363.1 million for the year ended 31 March 2015.

##### *Direct costs*

###### *(i) Construction material and consumable costs*

Our construction material and consumable costs increased by approximately HK\$11.4 million or 13.1% from approximately HK\$87.1 million for the year ended 31 March 2014 to approximately HK\$98.5 million for the year ended 31 March 2015. Such increase in costs of construction material and consumable was attributable to the increase in aggregate cost of steel and cement consumption of approximately HK\$14.3 million, offset by a decrease in aggregate cost of diesel fuel and machinery spare parts of approximately HK\$2.9 million.

###### *– Steel and cement consumption*

While cement consumption for 2015 is comparable to that recorded in the previous year, steel consumption increased approximately HK\$14.0 million when compared to the previous year. The increase in steel consumption was mainly due to foundation works project F10 and F12, both of which carried retaining wall elements, driving up steel costs, stemming from the high volume of steel casing used. Furthermore, the high cost of steel and cement consumption of F10 was partly attributable to drilling activities through rocky layer.

###### *– Diesel fuel and machinery spare parts consumption*

While machinery spare parts consumption for 2015 is comparable to that recorded in the previous year, diesel fuel consumption decreased approximately HK\$3.3 million when compared to the previous year. The decrease in diesel fuel consumption was mainly attributable to the decline in unit diesel fuel cost per unit during the year. Refer to “sensitivity analysis on price of diesel fuel” under “Financial Information – Direct Cost” for further information for a discussion of decline in unit price.

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*(ii) Sub-subcontracting charges*

Our sub-subcontracting charges increased by approximately HK\$16.3 million, or 30.5%, from approximately HK\$53.4 million for the year ended 31 March 2014 to approximately HK\$69.7 million for the year ended 31 March 2015. Such increase was due to the fact that substantial proportions of our foundation works projects F5, F8 and F9 were outsourced to subcontractors for alleviating short-term labour constraints faced by our Group during the year ended 31 March 2015.

*(iii) Labour costs*

Our labour costs increased by approximately HK\$6.2 million, or 13.7%, from approximately HK\$45.2 million for the year ended 31 March 2014 to approximately HK\$51.4 million for the year ended 31 March 2015. Such increase was mainly driven by foundation works projects F5, F9 and F12 during the year ended 31 March 2015. Meanwhile, our labour costs for the year ended 31 March 2014 were mainly attributable to foundation works projects F4 and F5. This increase in our direct labour costs was also due to increased bonus payment of approximately HK\$1.1 million compared to the preceding year and the increase in the average number of construction workers and the salary increment during the year ended 31 March 2015.

*(iv) Machinery rental costs*

Our machinery rental costs decreased by approximately HK\$6.3 million, or 24.5%, from approximately HK\$25.7 million for the year ended 31 March 2014 to approximately HK\$19.4 million for the year ended 31 March 2015. Our machinery rental costs were mainly driven by the size and progress of our foundation and ground investigation works projects during each reporting period. Our machinery rental costs for the year ended 31 March 2015 were mainly attributable to foundation works projects F5 (on a much reduced scale compared to 2014), F8, F9, F10 and F11. Meanwhile, our machinery rental costs for the year ended 31 March 2014 were mainly attributable to foundation works projects F4 and F5.

*(v) Depreciation*

Our depreciation charges increased by approximately HK\$1.7 million, or 9.7%, from approximately HK\$17.5 million for the year ended 31 March 2014 to approximately HK\$19.2 million for the year ended 31 March 2015. Such increase in depreciation charges was mainly due to the additions of machinery and equipment during the year ended 31 March 2015.

*(vi) Transportation expenses*

Our transportation costs increased by approximately HK\$5.1 million, or 47.7%, from approximately HK\$10.7 million for the year ended 31 March 2014 to approximately HK\$15.8 million for the year ended 31 March 2015. Our transportation costs increase was attributable to foundation works projects F8, F9 and F11. Meanwhile, our transportation costs for the year ended 31 March 2014 were mainly attributable to foundation works projects F4 and F5.



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### *(vii) Repair and maintenance*

Our costs of repair and maintenance increased by approximately HK\$4.2 million or 66.7% from approximately HK\$6.3 million for the year ended 31 March 2014 to approximately HK\$10.5 million for the year ended 31 March 2015. Such increase in the costs of repair and maintenance was attributable to the higher level of wear and tear inflicted on our machinery and equipment due to the volume of drilling and subsoil condition pertaining to foundation works projects F5, F8 and F9.

### *(viii) Other costs*

Our other cost decreased by approximately HK\$1.2 million or 11.1% from approximately HK\$10.8 million for the year ended 31 March 2014 to approximately HK\$9.6 million for the year ended 31 March 2015. The decrease in other cost was mainly driven by foundation works projects F9, F10 and F12.

### ***Gross profit***

Our gross profit increased by approximately HK\$45.5 million or 66.2% from approximately HK\$68.7 million for the year ended 31 March 2014 to approximately HK\$114.2 million for the year ended 31 March 2015. The increase in our gross profit margin was mainly attributable to the higher gross margin achieved by foundation works project F9 and F5, partially offset by the lower margins from foundation works project F10 and F11. Please refer to the “Financial information – Gross Profit” section in this prospectus for further discussion and analysis of the gross profit and gross profit margin for the year.

### ***Other revenue***

Our other revenue decreased by approximately HK\$0.4 million or 19.0% from approximately HK\$2.1 million for the year ended 31 March 2014 to approximately HK\$1.7 million for the year ended 31 March 2015. Such a decrease in other revenue was mainly attributable to the decrease in machinery rental income from Wan Kei (Macau) the connected person of the Company and other subcontractors.

### ***Other net income***

Our other net income increased 7 times from approximately HK\$0.1 million for the year ended 31 March 2014 to approximately HK\$0.8 million for the year ended 31 March 2015. Such increase in other net income was mainly attributable to the higher level of gain on disposal of fixed assets recorded in the year ended 31 March 2015.

### ***Administrative expenses***

Administrative expenses increased by approximately HK\$16.4 million from approximately HK\$22.9 million for the year ended 31 March 2014 to approximately HK\$39.3 million for the year ended 31 March 2015, primarily due to the increase in legal



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and professional fee from approximately HK\$0.7 million for the year ended 31 March 2014 to approximately HK\$12.6 million for the year ended 31 March 2015 as a result of listing fees recognised as expenses during the year ended 31 March 2015.

### *Finance costs*

Finance costs slightly decreased by approximately HK\$0.1 million from approximately HK\$0.7 million for the year ended 31 March 2014 to approximately HK\$0.6 million for the year ended 31 March 2015. Our finance costs pertaining to the year ended 31 March 2014 and 2015 were comparable.

### *Income tax expenses*

Our income tax expenses amounted to approximately HK\$7.8 million for the year ended 31 March 2014, notably lower than the income tax expenses of approximately HK\$14.4 million for the year ended 31 March 2015. Such increase was mainly due to the increase in profit before tax from HK\$47.3 million for the year ended 31 March 2014 to HK\$76.8 million for the year ended 31 March 2015. Details of the income tax expenses for each of the year ended 31 March 2014 and 2015 are set out under the paragraph under “Financial Information – Income Tax Expenses” in this prospectus.

### *Profit and total comprehensive income attributable to equity holders of our Company*

As a result of the foregoing, our profit and total comprehensive income attributable to equity holders of our Company increased by approximately HK\$22.6 million, from approximately HK\$39.4 million for the year ended 31 March 2014 to approximately HK\$62.0 million for the year ended 31 March 2015. The increase in profit and total comprehensive income attributable to equity holders of our Company was mainly attribute to the net effect of gross profit margins contributed by the two large-scale foundation works projects F5 and F9 offset by lower margins pertaining to foundation works projects F10 and F11 during the year ended 31 March 2015 as discussed in the subsection on gross profit above.

### **Year ended 31 March 2014 compared to year ended 31 March 2013**

#### *Revenue*

Our revenue increased by approximately HK\$70.4 million, or 27.6%, from approximately HK\$255.1 million for the year ended 31 March 2013 to approximately HK\$325.5 million for the year ended 31 March 2014. Such increase was mainly attributable to the two large-scale foundation works projects F4 and F5, both of which had commenced in FY2013 and were in full swing in FY2014. F5 involved the construction of more than 700 H-Piles over an extensive site area with an underlying rock layer. F4 is a pre-boring only project that involves drilling through boulder subsoil but did not involve any pile construction nor construction material input.

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### *Direct costs*

#### *(i) Construction material and consumable costs*

Our construction material and consumable costs increased by approximately HK\$15.1 million or 21.0% from approximately HK\$72.0 million for the year ended 31 March 2013 to approximately HK\$87.1 million for the year ended 31 March 2014. Such increase was driven by an increase in aggregate cost of diesel fuel and machinery spare parts of approximately HK\$12.0 million and an increase in cement consumption of approximately HK\$8.2 million offset by a decrease in steel consumption of approximately HK\$5.1 million.

##### *– Steel and cement consumption*

The change in steel and cement consumption profile was primarily due to change in job mix from period to period. Foundation works for FY2013 included foundation works projects F1 and F2, both of which carried high soldier and pipe piling contents, resulting in higher steel but lower cement consumption stemming from the high volume of permanent steel casing used. Meanwhile, our two largest foundation works projects F5 and F4 for FY2014, which involved large-scale socketed H-piles construction and pre-boring works only (without any steel consumption) respectively, accounted for a lower steel but high cement consumption in FY2014.

##### *– Diesel fuel and machinery spare parts consumption*

The increase in aggregate cost of diesel fuel and machinery spare parts was mainly attributable to the high volume of drilling activities coupled with drilling through rock layer from foundation works project F5 and drilling through boulders for foundation works project F4, affecting both work progress as well as usage of consumables.

#### *(ii) Sub-subcontracting charges*

Our sub-subcontracting charges increased by approximately HK\$14.1 million, or 35.9%, from approximately HK\$39.3 million for the year ended 31 March 2013 to approximately HK\$53.4 million for the year ended 31 March 2014. Such increase was mainly attributable to the scale and progress of construction works undertaken by our Group in respect of the foundation works projects F4 and F5.

#### *(iii) Labour costs*

Our labour costs increased by approximately HK\$9.6 million, or 27.0%, from approximately HK\$35.6 million for the year ended 31 March 2013 to approximately HK\$45.2 million for the year ended 31 March 2014. Such increase was mainly attributable to the increase in the number of site managers and construction workers to cope with our business growth and partly to salary and wage rate increase.

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*(iv) Machinery rental costs*

Our machinery rental costs increased by approximately HK\$9.5 million, or 58.6%, from approximately HK\$16.2 million for the year ended 31 March 2013 to approximately HK\$25.7 million for the year ended 31 March 2014. Such increase was mainly driven by the two large-scale foundation works projects F4 and F5 and partly driven by the commencement of foundation works project F7 in FY2014.

*(v) Depreciation*

Our depreciation charges increased by approximately HK\$6.8 million, or 63.6%, from approximately HK\$10.7 million for the year ended 31 March 2013 to approximately HK\$17.5 million for the year ended 31 March 2014. The increase in depreciation charges was mainly due to machinery additions in FY2014 to support our business expansion.

*(vi) Transportation expenses*

Our transportation costs increased by approximately HK\$4.5 million, or 72.6%, from approximately HK\$6.2 million for the year ended 31 March 2013 to approximately HK\$10.7 million for the year ended 31 March 2014. Such increase was mainly driven by the size of foundation works project F5, for which a large number of machinery had been deployed.

*(vii) Repair and maintenance*

Our costs of repair and maintenance increased by approximately HK\$2.4 million or 61.5% from approximately HK\$3.9 million for the year ended 31 March 2013 to approximately HK\$6.3 million for the year ended 31 March 2014. Such increase in the costs of repair and maintenance was mainly attributable to the higher level of wear and tear inflicted on our machinery and equipment due to the sheer scale of foundation works project F5 and partly to the boulder subsoil drilling for foundation works project F4.

*(viii) Other costs*

Our other cost increased by approximately HK\$5.5 million or 103.8% from approximately HK\$5.3 million for the year ended 31 March 2013 to approximately HK\$10.8 million for the year ended 31 March 2014. Such increase in other cost was mainly driven by the increased inspection and testing costs recorded in FY2014 in respect of foundation works projects F4 and F5.

**Gross profit**

Our gross profit increased slightly by approximately HK\$2.9 million or 4.4% from approximately HK\$65.8 million for the year ended 31 March 2013 to approximately HK\$68.7 million for the year ended 31 March 2014. Meanwhile, our gross profit margin decreased from 25.8% for the year ended 31 March 2013 to 21.1% for the year ended 31 March 2014. Such decrease in gross profit margin arose as a result of the net effect of the gross profit margins achieved by our top two contributors to revenue in FY2014, namely,

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foundation works projects F5 and F4. Please refer to the “Financial information – Gross Profit” section in this prospectus for further discussion and analysis of the gross profit and gross profit margin for the year.

### *Other revenue*

Our other revenue increased 9.5 times from approximately HK\$0.2 million for the year ended 31 March 2013 to approximately HK\$2.1 million for the year ended 31 March 2014. Such increase in other revenue was mainly attributable to the increase in machinery rental income from Wan Kei (Macau), the connected person of the Company. Please refer to the “Financial Information – Income Tax Expenses – Machinery Lease Agreement” for further details.

### *Other net income*

Our other net income decreased by approximately HK\$0.5 million or 83.3% from approximately HK\$0.6 million for the year ended 31 March 2013 to approximately HK\$0.1 million for the year ended 31 March 2014. Such decrease in other net income was mainly attributable to the lower level of gain on disposal of fixed assets recorded in FY2014.

### *Administrative expenses*

Administrative expenses increased by approximately HK\$4.1 million from approximately HK\$18.8 million for the year ended 31 March 2013 to approximately HK\$22.9 million for the year ended 31 March 2014, primarily due to the increase in staff costs from approximately HK\$9.9 million in FY2013 to approximately HK\$12.9 million in FY2014.

### *Finance costs*

Finance costs amounted to approximately HK\$0.7 million for the year ended 31 March 2014, which is notably higher than the finance costs of approximately HK\$0.2 million for the year ended 31 March 2013. Such increase was largely attributable to the increase in interest expenses on obligations under finance leases of machinery and equipment.

### *Income tax expenses*

Our income tax expenses amounted to approximately HK\$7.8 million for the year ended 31 March 2013, which is the same with that of 2014. Details of the income tax expenses for each of the years ended 31 March 2013 and 2014 are set out under the paragraph under “Financial Information – Income Tax Expenses” in this prospectus.

### *Profit and total comprehensive income attributable to equity holders of our Company*

As a result of the foregoing, our profit and total comprehensive income attributable to equity holders of our Company decreased by approximately HK\$0.3 million, from approximately HK\$39.7 million for the year ended 31 March 2013 to approximately HK\$39.4 million for the year ended 31 March 2014. The decrease in profit and total

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comprehensive income attributable to equity holders of our Company was mainly attribute to the net effect of gross profit margins contributed by the two large-scale foundation works projects F4 and F5 during FY2014 as discussed in the subsection on gross profit above.

### NET CURRENT ASSETS

The following table sets forth the breakdown of our Group's current assets and liabilities as at 31 March 2013, 2014 and 2015 and 31 May 2015:

	At 31 March			At 31 May
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Unaudited)
<b>Current assets</b>				
Gross amounts due from customers for				
contract work	58,560	53,683	55,191	56,639
Trade and other receivables	64,752	61,177	90,145	90,433
Amounts due from related parties	760	9,025	–	–
Tax recoverable	239	–	7,090	5,712
Cash and cash equivalents	<u>16,151</u>	<u>66,049</u>	<u>74,956</u>	<u>27,870</u>
	140,462	189,934	227,382	180,654
<b>Current liabilities</b>				
Gross amounts due to customers for				
contract work	7,340	18,701	15,306	11,307
Trade and other payables	43,075	53,742	27,518	38,626
Dividend payable	–	–	60,000	–
Amounts due to related parties	5,443	1,494	–	–
Bank loans	186	–	–	–
Obligations under finance leases	6,703	11,346	9,197	8,558
Tax payable	<u>5,440</u>	<u>4,422</u>	<u>4,246</u>	<u>4,412</u>
	68,187	89,705	116,267	62,903
<b>Net current assets</b>	<u><u>72,275</u></u>	<u><u>100,229</u></u>	<u><u>111,115</u></u>	<u><u>117,751</u></u>

As at 31 May 2015, we had net current assets of approximately HK\$117.8 million. The key components of our current assets as at 31 May 2015 included gross amounts due from customers for contract work of approximately HK\$56.6 million, trade and other receivables of approximately HK\$90.4 million, and cash and cash equivalents of approximately HK\$27.9 million. The key components of our current liabilities included gross amounts due to customers for contract work of approximately HK\$11.3 million, trade and other payables of approximately HK\$38.6 million, and borrowings (including obligations under finance leases) of approximately HK\$8.6 million.

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As at 31 March 2015, we had net current assets of approximately HK\$111.1 million. The key components of our current assets as at 31 March 2015 included gross amounts due from customers for contract work of approximately HK\$55.2 million, trade and other receivables of approximately HK\$90.1 million, tax recoverable of approximately HK\$7.1 million, and cash and cash equivalents of approximately HK\$75.0 million. The key components of our current liabilities included gross amounts due to customers for contract work of approximately HK\$15.3 million, trade and other payables of approximately HK\$27.5 million, dividend payable of approximately HK\$60.0 million, borrowings (including obligations under finance leases) of approximately HK\$9.2 million, and tax payable of approximately HK\$4.3 million.

Our net current assets increased by approximately HK\$10.9 million or approximately 10.9% from HK\$100.2 million as at 31 March 2014 to HK\$111.1 million as at 31 March 2015 was primarily driven by (i) the increase in trade and other receivables of approximately HK\$29.0 million; (ii) an increase in cash and cash equivalents of approximately HK\$8.9 million as a result of the increased net cash generated from our operating activities; (iii) a decrease in trade and other payable of approximately HK\$26.2 million, offset by (iv) an increase in dividend payable of HK\$60 million.

Our net current assets increased by approximately HK\$27.9 million or approximately 38.7% from HK\$72.3 million as at 31 March 2013 to HK\$100.2 million as at 31 March 2014 was primarily driven by the net effect of the increase in cash and cash equivalents of approximately HK\$49.9 million as a result of (i) the increased net cash generated from our operating activities, offset by (ii) a decrease in each of gross amounts due from customers for contract work and trade and other receivables of approximately HK\$4.9 million and HK\$3.6 million respectively and an increase in gross amounts due to customers for contract work of approximately HK\$11.4 million, all of which were driven by construction activities close to the end of each reporting period, progress billing and settlement thereof, (iii) an increase in trade and other payables of approximately HK\$10.7 million, and (iv) an increase in obligations under finance leases of approximately HK\$4.6 million. The increase in trade and other payables was driven by construction activities close to the end of FY2014. The increase in obligations under finance leases in FY2014 was driven by the sale and lease back transactions conducted in FY2014 in support of our business expansion.

Direct construction materials and consumables are ordered by us and delivered by our suppliers to the construction sites directly from time to time to meet the estimated demand according to specific work schedules. Under the normal circumstances, due to the limited space available for inventory storage on-site, we generally do not keep excess inventory. Our Directors are of the view that the amounts of construction materials remained at the construction sites at the end of each reporting period were insignificant to our Group. As such, the costs of construction materials and consumables are treated as trade creditors upon receipts of construction materials and consumables and the same amounts will be recognised as contract cost incurred simultaneously. However, contract costs incurred that relate to future activities are recognised as an asset at the end of each reporting period under gross amounts due from customers for contract work. Please refer to paragraph headed “Financial Information – Net Current Assets – Gross amounts due from/to customers for contract work” for further details.

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### Gross amounts due from/to customers for contract work

Our Group normally submits payment applications to our customers on a monthly basis in accordance with the value of work which may include variation works and claims, if any, undertaken for foundation and ground investigation field works. Gross amounts due from customers for contract work represent construction contracts in progress at the end of a reporting period and are recorded at the net amount of contract costs incurred plus recognised profit less recognised losses less progress billings. Such balance sheet item typically comprises of (i), in respect of foundation works, completed projects or ongoing foundation works projects close to the end of each reporting period, for which the payment certificates have yet to be received by us from our customers, (ii), in respect of ground investigation field works, completed work performed by us during a reporting period, which have been confirmed by the payment certificates issued by our customers after the end of the reporting period, and (iii) the differences between the costs incurred and the costs recognised in profit or loss with reference to the stage of completion of the projects at the end of each reporting period. The level of gross amounts due from customers for contract work as at a given reporting date is mainly affected by the duration between our submission of progress payment applications and receipt of progress certificates from our customers. It normally takes approximately 30 days for our customer's progress certificates to be issued upon our submission of progress payment applications. Notwithstanding the above, payment certification for variation orders, claims or final progress payment would normally take longer as they are usually subject to a process of negotiation. Certification for public ground investigation works is prolonged due to bureaucracy. Accordingly, the balance of gross amounts due from/to customers for contract work vary from period to period. Set out below is the profile of completed projects or ongoing works close to the end of each reporting period, for which the payment certificates have yet to be received from our customers:

<b>Reporting Period</b>	<b>Profile</b>
FY2013	foundation works projects F1, F4 and F5 and a number of smaller projects.
FY2014	foundation works project F4, F5, F6, F7, F9, F10 and F11 and a number of smaller projects.
FY2015	foundation works project F5, F9 to F12 and a number of smaller projects.

As at 31 March 2013, 2014 and 2015, our gross amounts due from customers for contract work were approximately HK\$58.6 million, HK\$53.7 million and HK\$55.2 million respectively, of which approximately, HK\$12.9 million, HK\$4.3 million and HK\$16.7 million, respectively related to variation orders, claims or final progress payment applications in respect of foundation works, representing approximately, 22.0%, 8.0% and 30.3%, respectively of the total of such balance, approximately HK\$9.8 million, HK\$12.5 million and HK\$5.3 million, respectively related to public ground investigation work, representing approximately 16.7%, 23.3% and 9.6%, respectively of the total of such balance, whereas, approximately HK\$1.5 million, HK\$3.4 million and HK\$10.1 million, respectively related to the differences between the costs incurred and the costs recognised in



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profit and loss with reference to the stage of completion of the projects at the end of each recording period, representing approximately 2.6%, 6.3% and 18.3% of the total of such balance respectively. The comparatively higher proportion of foundation works projects subject to variation orders, claims or final progress payment applications as at 31 March 2013 and 31 March 2015 was mainly driven by variation orders attributable to foundation works project F1 and F5, respectively. Approximately HK\$38.6 million of relevant payment certificates had been duly received as at the Latest Practicable Date for completed and ongoing projects yet to be certified as at 31 March 2015.

Progress billings represent works performed by us, for which the payment certificates have been received from our customers before the end of a reporting period. They are included under “Trade and other receivables”.

Gross amounts due to customers for contract work occurs when progress billings exceed the contract costs incurred plus recognised profits. Gross amounts due to customers for contract work were approximately HK\$7.3 million, HK\$18.7 million and HK\$15.3 million as at 31 March 2013, 2014 and 2015 respectively. The higher level of gross amounts due to customers for contract work as at 31 March 2015 was mainly attributable to foundation works projects F9 and F12, for which progress billings exceed their contract values recognised in the income statement, which were determined based on their estimated stage of completion as at 31 March 2014, taking into consideration of the outcome of those projects as well as the work done to date.

### **Trade and other receivables**

Our trade and other receivables consist of (i) trade debtors; (ii) deposits, prepayment and other receivables; and (iii) retention receivables in relation to completed and on-going projects.

Trade debtors represent progress billings of work performed by us, for which payment certificates have been received by our customers before the end of reporting period. Our customers typically include main contractors in the case of foundation works, or, the employers of construction projects in the case of ground investigation field works.

Deposits, prepayments and other receivables represent receivables from prepaid insurance in respect of issuance of performance bond and deposits for the acquisition of machinery and equipment, other miscellaneous deposits and prepayments.

Retention receivables represent the retention monies required by our customers to secure our Group’s due performance of the contracts. Typically, the amount of retention money depends on negotiation between the parties, which ranges from approximately 5% to 10% of the value of works certified in each progress payment and is subject to a maximum retention of approximately 5% of the total original contract value or a monetary cap. The terms and conditions in relation to the release of retention money also vary from contract to contract, which may subject to, practical completion, the expiry of the defect liability period or a pre-agreed time period.



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Set out below is the composition of trade and other receivables as at 31 March 2013, 2014 and 2015:

	<b>At 31 March</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade debtors	35,647	14,959	24,331
Deposits, prepayments and other receivables	2,952	5,680	13,167
Retention receivables	<u>26,153</u>	<u>40,538</u>	<u>52,647</u>
	<u><u>64,752</u></u>	<u><u>61,177</u></u>	<u><u>90,145</u></u>

Credit terms granted to our customers vary from contract to contract. The settlement date is usually determined with reference to the payment certificate date and usually coincides with the payment certificate date, which is approximately 30 days upon our submission of progress payment application. Please refer to paragraph headed “Financial Information – Net Current Assets – Gross amounts due from/to customers for contract work” in this prospectus for further details concerning payment certification. Notwithstanding the above, the settlement date could range from 30 days to 50 days from the payment application date or 0 days to 60 days from the certificate date, subject to actual payment certification and the terms and conditions of the contracts. In view of the fact that our trade debtors represent progress billings relating to work for which the payment certificates have been received from our customers before the end of each reporting period and that the settlement date would usually be determined after progress billing with reference to the payment certificate date, our Directors are of the view that trade debtors progress billing days would better serve as a measure of efficacy of our credit control function than the more usual trade debtors turnover days. Trade debtors progress billing day for a given reporting period is calculated by dividing the trade debtors balance as at the reporting date by the total progress billing for the reporting period and multiplied by the number of calendar days (i.e. 365) in the reporting period. The trade debtors progress billing days of trade debtors for each of the three years ended 31 March 2015 were approximately 48, 16 and 22, respectively, based on total progress billing of HK\$268,555,231, HK\$351,737,810 and HK\$406,992,424, respectively. As our business of foundation works are non-recurring and on a project-by-project basis, our progress billings during each of the three years ended 31 March 2015 may fluctuate subject to the size and the progress of our foundation and ground investigation works projects at a given time thereby affecting our trade debtors balance as at the end of each reporting period.

The increase in trade debtors from approximately HK\$15.0 million as at 31 March 2014 to approximately HK\$24.3 million as at 31 March 2015 and the increase in trade debtors progress billing days from approximately 16 days for the year ended 31 March 2014 to approximately 22 days for the year ended 31 March 2015 were mainly driven by the progress billing in respect of foundation works projects F5, F9 and F12, aggregate progress billing of smaller foundation works projects and ground investigation field works projects G11 and G12 compared to aggregate progress billing of smaller foundation works projects and ground investigation field works projects G11 and G12 outstanding as at 31 March 2014.

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The decrease in trade debtors from approximately HK\$35.6 million as at 31 March 2013 to approximately HK\$15.0 million as at 31 March 2014 and the decrease in trade debtors progress billing days from approximately 48 days for the year ended 31 March 2013 to approximately 16 days for the year ended 31 March 2014 were mainly driven by the aggregate progress billing of smaller foundation works projects outstanding and ground investigation field works GI1 and GI2 compared to that in respect of foundation works projects F3 and F4 and ground investigation field works GI1 as at 31 March 2013.

The following table sets out the ageing analysis of the trade receivables, net of provision for doubtful debt, based on invoice date, as at 31 March 2013, 2014 and 2015:

	<b>At 31 March</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
within one month	17,866	11,392	22,116
one to two months	10,153	3,285	507
two to three months	1,132	282	–
over three months	<u>6,496</u>	<u>–</u>	<u>1,708</u>
Trade debtors	<u><u>35,647</u></u>	<u><u>14,959</u></u>	<u><u>24,331</u></u>

As at 31 March 2015, our trade debtors of approximately HK\$1.7 million aged over three months mainly represented an amount of HK\$1.5 million receivable from Customer L/ Supplier I, who is both a customer and a subcontractor of the Group, which, by agreement, is to be carried forward and settled by way of contra payment with subcontractor fees payable to the same in a subsequent financial period. Meanwhile, the amounts due over three months as at 31 March 2013 related to foundation works project F3. It should also be noted that our customers would generally settle amounts due to our Group in accordance with payment terms as disclosed earlier. Notwithstanding the above, it should be noted that it is also common for main contractors or customers to delay payments to their contractors or subcontractors when the projects are delayed or until the main contractors or customers have received settlements themselves for works performed from the upper tiers. All of the trade debtors as at 31 March 2015 were subsequently settled as at the Latest Practicable Date.

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The following table sets out the ageing analysis of the retention receivables based on invoice date as at 31 March 2013, 2014 and 2015:

	<b>At 31 March</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
within one year	16,021	26,331	30,222
after one year	<u>10,132</u>	<u>14,207</u>	<u>22,425</u>
 Retention receivables	 <u><u>26,153</u></u>	 <u><u>40,538</u></u>	 <u><u>52,647</u></u>

Our retention receivables amounted to approximately HK\$26.2 million, HK\$40.5 million and HK\$52.6 million, as at 31 March 2013, 2014 and 2015, respectively. As at 31 March 2015, the top five and the largest retention receivables amounted to approximately HK\$31.6 million and HK\$9.1 million, respectively. The largest retention receivable as at 31 March 2015 was associated with foundation works project F5. The release of the retention receivables will be subject to (i) the practical completion certificate for foundation works undertaken by our Group; and (ii) the completion of all our obligations in accordance with the construction contract or the certificate to be issued by the construction manager in the absence of a final account.

We expect all outstanding retention monies to be released within the expiry of the defect liability period or the time period pre-agreed between our Group and our customers according to the respective contracts and works done. As at the Latest Practicable Date, HK\$4.0 million of retention monies recorded as at 31 March 2015 has been released to us and the expected release dates of the remaining retention monies should fall between 2015 and 2017.

We have established long term relationships with customers who possess good credit standing and proven payment record. Please refer to the paragraph headed “Business – Our Customers” in this prospectus for further details about our customers. Before submitting a tender/quotation to any potential customer, we would first assess the credit worthiness and reputation of that customer. We regularly monitor the ageing of our trade debtors and would make specific provision for doubtful debts when there is objective evidence that we shall be unable to collect the amounts due. We did not make any provision for doubtful debt in respect of trade debtors and retention receivables during each of the three years ended 31 March 2015.

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### Trade and other payables

Our trade and retention payables are primarily related to the purchase of construction materials and parts and consumables, works performed by sub-subcontractors and retention payables in relation to sub-subcontractors for completed and on-going projects. Set out below is the composition of trade creditors, retention payables, fixed assets payables and other payables and accruals as at 31 March 2013, 2014 and 2015.

	<b>At 31 March</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade creditors	34,442	44,467	21,546
Retention payables	2,111	2,269	1,952
Fixed assets payables	773	1,550	–
Other payables and accruals	<u>5,749</u>	<u>5,456</u>	<u>4,020</u>
	<u><b>43,075</b></u>	<u><b>53,742</b></u>	<u><b>27,518</b></u>

Credit terms granted to us by our suppliers vary from contract to contract. Our suppliers, on average, grant us a credit period of two to three months upon the issue of an invoice. Trade creditors' turnover days for a reporting period is calculated based on the trade creditors balance as at the reporting date divided by direct costs for the reporting period and multiplied by the number of calendar days (i.e. 365) in the reporting period. The trade creditors' turnover days for each of the three years ended 31 March 2015 were approximately 66, 63 and 27 days, respectively, calculated on the basis of total direct costs of HK\$189,262,395, HK\$256,736,029 and HK\$293,961,663, respectively. We generally settle our trade payables within 60 days from the invoice dates. Notwithstanding the above, we would usually make payments to our suppliers or sub-subcontractors after we have received payment certificates and settlement from our main contractors or customers for works we performed. Accordingly, there exists a co-relationship between our trade creditors' turnover days and the level of gross amounts due from customers for contract work, which represent completed projects or ongoing foundation works projects close to the end of the reporting periods, yet to be certified by our customers. The decreasing creditors' turnover days from 66 days for FY2013 and to 63 days for FY2014 during the Track Record Period generally coincided with the decreasing level of gross amounts due from customers for contract work from HK\$58.6 million as at 31 March 2013 and to HK\$53.7 million as at 31 March 2014. The decreased creditors' turnover days from approximately 63 days for FY2014 to approximately 27 days for the year ended 31 March 2015, despite of an increased level of gross amounts due from customers for contract work from approximately HK\$53.7 million as at March 2014 to approximately HK\$55.2 million as at 31 March 2015 was due to settlement of trade payable in respect of F5, F6, F7 and F10 during the year. The level of gross amounts due from customers for contract work is mainly affected by the status of ongoing foundation works projects in the last quarter of each reporting period and, thus, varies from period to period. For further details concerning gross amounts due from customers for contract work, please refer to subsection headed "Financial Information – Net Current Assets – Gross amounts due from/to customers for contract work" in this prospectus.

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As our business of foundation works operates on a non-recurring and project-by-project basis, our direct costs incurred during each of the three years ended 31 March 2015 may fluctuate subject to the size and the progress of our foundation and ground investigation works projects at a given time thereby affecting our trade creditor balance as at the end of each reporting period. Whilst our direct costs increased from approximately HK\$189.3 million for the year ended 31 March 2013 to approximately HK\$256.7 million for the year ended 31 March 2014, our trade creditors increased from approximately HK\$34.4 million as at 31 March 2013 to approximately HK\$44.4 million as at 31 March 2014. Our direct costs increased further to approximately HK\$294.0 million for the year ended 31 March 2015, our trade creditors decreased to approximately HK\$21.5 million as at 31 March 2015. Trade creditors as at 31 March 2013, 2014 and 2015 were mainly driven by certain completed projects or ongoing foundation works projects close to the end of the reporting periods, yet to be certified by our customers. As at 31 March 2013, such projects included foundation works projects F4 and F5 and a number of smaller foundation works projects. As at 31 March 2014, such projects included foundation works projects F4, F5, F6 and F7 and a number of smaller foundation works projects. As at 31 March 2015, such projects included foundation works projects F5, F8 and F12.

The following table sets out the ageing analysis of trade creditors based on the invoice date as at 31 March 2013, 2014 and 2015:–

	<b>At 31 March</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
within one month	15,384	20,821	11,388
one to two months	11,323	13,429	3,869
two to three months	1,338	994	1,008
over three months	6,397	9,223	5,281
Trade creditors	34,442	44,467	21,546

As at 31 March 2013, 2014 and 2015, the amounts due within two months accounted for approximately 77.5%, 77.0% and 70.8% of our trade creditors, respectively. Out of the amounts due over three months as at 31 March 2013, 2014 and 2015 (i) approximately HK\$2.3 million, HK\$3.5 million and HK\$2.7 million related to the prolonged process in agreeing the application amount with a subcontractor in respect of government ground investigation field works, (ii) approximately HK\$1.4 million, HK\$1.2 million and HK\$1.3 million related to completed ground investigation field work performed by us during each of the three years ended 31 March 2015, for which the payment certificates were issued by our customers after the end of corresponding the reporting period and (iii) the remaining balance related to late application made by our suppliers in respect of foundation works. Save for trade payable of approximately HK\$5.3 million, all of the trade payable as at 31 March 2015 were subsequently paid as at the Latest Practicable Date. We have established long term relationships with suppliers. Please refer to the paragraph headed “Business – Our Suppliers” in this prospectus for further details about our suppliers. Our Directors confirm that our Group had no default in payment of trade payables during each of the three years ended 31 March 2015.

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Other payables and accruals represent the accrued expenses such as professional fees, wages and other miscellaneous payables. As at 31 March 2015, other payables and accruals amounted to approximately HK\$4.0 million, of which, approximately HK\$0.9 million related to accrued wages payable, approximately HK\$1.1 million related to listing expenses and approximately HK\$0.4 million related to the provision for unpaid annual leaves.

### **Bank loans**

Our Group's bankers provided us with short term financing in the form of bank loans during the Track Record Period with interest rates at 0.25% to 1.75% below the current prime rate per annum. Our bank loans amounted to approximately HK\$0.2 million, nil and nil as at 31 March 2013, 2014 and 2015 respectively.

### **Obligations under finance lease and fixed assets addition**

To facilitate our expansion of construction capacity and improve our work efficiency, our expenses incurred for acquisition of new machinery and equipment for each of the three years ended 31 March 2015 amounted to approximately HK\$30.8 million, HK\$31.2 million and HK\$5.1 million, respectively. As at 31 March 2015, our machinery and equipment had a total net book value of approximately HK\$41.7 million. Please refer to section headed "Business – Machinery and Equipment" in this prospectus for further details on machinery and equipment employed by our Group.

During each of the three years ended 31 March 2015, our Group acquired certain assets by way of finance leases, under which our Group purchased certain assets from suppliers, sold them to bankers (the lessors) and the bankers leased back those machines to our Group at stipulated monthly rents in a fixed term. Under these finance leases, we were given options to purchase these machines at a nominal amount at the end of the lease term. During each of the three years ended 31 March 2015, additions to machinery and motor vehicles of our Group financed by new finance leases were HK\$16.7 million, HK\$22.8 million and HK\$4.3 million, respectively. The lease liabilities, with weighted average interest rate of approximately 3.44%, 3.83% and 2.92%, respectively, were secured as the rights to the leased machines revert to the lessors in the event of default. Total lease liabilities for each of the three years ended 31 March 2015 amounted to approximately HK\$13.4 million, HK\$21.5 million and HK\$12.4 million, respectively. The total lease liabilities were secured by the personal guarantee provided by our Directors Mr. WS Lau, Mr. Fong, Mr. CH Lau and Mr. Leung. Such personal guarantees had already been replaced by our Group's corporate guarantee before Listing.

Our Directors confirm that our Group had no default in payment of bank borrowings and/or breaches of the finance bank covenants during the Track Record Period.

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### Amounts due from/to related parties

Balances with related parties As at 31 March 2013, 2014 and 2015, our Group had the following balances with related parties:

	At 31 March		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Amounts due from Directors</b>			
– Mr. Fong	409	308	–
– Mr. CH Lau	141	165	–
– Mr. CS Lau	28	4	–
– Mr. Leung	<u>180</u>	<u>180</u>	<u>–</u>
	758	657	–
<b>Amounts due from a Controlling Shareholder</b>			
– Chung Hang	2	–	–
<b>Amounts due from a related party</b>			
– Wan Kei (Macau)	<u>–</u>	<u>8,368</u>	<u>–</u>
	<u>760</u>	<u>9,025</u>	<u>–</u>
<b>Amounts due to a Director</b>			
– Mr. Leung	477	694	–
<b>Amounts due to a Controlling Shareholder</b>			
– Chung Hang	3,552	800	–
<b>Amounts due to a related party</b>			
– Wan Kei (Macau)	<u>1,414</u>	<u>–</u>	<u>–</u>
	<u>5,443</u>	<u>1,494</u>	<u>–</u>

The entire amount due from/to Directors and a Controlling Shareholder and a related party has been settled before Listing.

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### ANALYSIS OF SELECTED FINANCIAL RATIOS

Selected Ratios	Note	As at/Year ended 31 March		
		2013	2014	2015
Return on assets	1	21.1%	15.8%	22.9%
Return on equity	2	36.2%	27.3%	42.4%
Net profit margin	3	15.6%	12.1%	15.3%
Gearing ratio (times)	4	0.03	N/A	N/A
Current ratio (times)	5	2.06	2.12	1.96

#### Note

1. Net profit/total assets x 100%
2. Net profit/total equity x 100%
3. Net profit/revenue x 100%
4. Net debt\*/total equity
5. Current assets/current liabilities

\* Net debt is calculated as total borrowings less cash and bank balances. Total borrowings included bank loans, obligations under finance leases and amounts due to a Director, a Controlling Shareholder and related party. Cash and bank balances included cash and cash equivalents.

#### Return on assets

Our return on assets was approximately 21.1%, 15.8% and 22.9% for each of the three years ended 31 March 2015, respectively. The decrease in return on assets for FY2014 was primarily due to the higher total assets as at 31 March 2014, coupled with the decrease in net profit recorded in FY2014 compared to FY2013 due to the net effect of foundation works projects F4 and F5. The increase in return on assets for FY2015 was primarily due to the increase in net profit as a result of the net effect of F5, F9, F10 and F11 despite the slight increase in total asset.

Our net profit decreased from approximately HK\$39.7 million for the year ended 31 March 2013 to approximately HK\$39.5 million for the year ended 31 March 2014, and increased to approximately HK\$62.3 million for the year ended 31 March 2015, while our total assets increased from approximately HK\$188.5 million for the year ended 31 March 2013 to approximately HK\$250.0 million for the year ended 31 March 2014, and increased slightly to approximately HK\$272.3 million for the year ended 31 March 2015.

#### Return on equity

Our return on equity was approximately 36.2%, 27.3% and 42.4% for each of the three years ended 31 March 2015, respectively. The decrease in return on equity for FY 2014 was primarily due to net increase in our total equity coupled with the decrease in net profit



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recorded in FY2014 compared to FY2013 due to the net effect of foundation works projects F4 and F5. The increase in return on equity for FY2015 was primarily due to the increase in net profit recorded in FY2015 as a result of the combined effect of F5, F9, F10 and F11.

Our net profit decreased from approximately HK\$39.7 million for the year ended 31 March 2013 to approximately HK\$39.5 million for the year ended 31 March 2014, and increased to approximately HK\$62.3 million for the year ended 31 March 2015 while our total equity increased from approximately HK\$109.8 million for the year ended 31 March 2013 to approximately HK\$144.8 million for the year ended 31 March 2014, and increased further to approximately HK\$147.1 million for the year ended 31 March 2015. For the year ended 31 March 2014, two members of the Group declared a non-recurring final dividend of HK\$4.5 million out of its distributable reserves. For the year ended 31 March 2015, Wan Kei Engineering and Chung Shun declared interim dividends of HK\$57,000,000 and HK\$3,000,000, respectively.

### **Net profit margin**

Our net profit margin increased from approximately 12.1% for the year ended 31 March 2014 to approximately 15.3% for the year ended 31 March 2015. The increase in net profit margin was mainly attributable to the net effect of gross margins contributed by the two large-scale foundation works projects F5 and F9, offset by lower margins pertaining to foundation works projects F10 and F11 as discussed in the subsection headed “Financial Information – Year ended 31 March 2015 compared to year ended 31 March 2014 – Gross profit”.

Our net profit margin decreased from approximately 15.6% for the year ended 31 March 2013 to approximately 12.1% for the year ended 31 March 2014. The decrease in net profit margin was mainly attributable to the net effect of gross profit margin contributed by the two large-scale foundation works projects F4 and F5 during FY2014 as discussed in the Subsection headed “Financial Information – Year ended 31 March 2014 compared to year ended 31 March 2013”.

### **Gearing ratio**

Our gearing ratio as at 31 March 2013, 2014 and 2015 was approximately 0.03 times, n/a times and n/a times respectively.

Our gearing ratio decreased over the Track Record Period as the total equity of our Group increased notably as we have recorded profit and total comprehensive income attributable to equity holders of our Company of approximately HK\$39.7 million, HK\$39.4 million and HK\$62.0 million for each of the reporting period ended 31 March 2013, 2014 and 2015 respectively.

### **Current ratio**

The current ratios of our Group as at 31 March 2013, 2014 and 2015 were approximately 2.06 times, 2.12 times and 1.96 times respectively. Our current ratios were largely driven by net movement in our cash and cash equivalents balance and trade and

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other receivables, gross amounts due to and from customers for contract work. The detailed explanation of the aforesaid movement has been set out under the paragraphs headed “Financial Information – Liquidity and capital resources”, “Financial Information – Net Current Assets”, “Financial Information – Trade and other receivables”, “Financial Information – Net Current Assets – Gross amounts due from/to customers for contract work”, “Financial Information – Trade and other payables” and “Financial Information – Indebtedness” in this prospectus.

### LIQUIDITY AND CAPITAL RESOURCES

The following table sets forth a summary of our cash flows for the years indicated:

	<b>Year ended 31 March</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	31,291	85,521	23,356
Net cash (used in)/generated from investing activities	(15,275)	(14,121)	2,457
Net cash used in financing activities	<u>(12,726)</u>	<u>(21,502)</u>	<u>(16,907)</u>
Net increase in cash and cash equivalents	3,290	49,898	8,906
Cash and cash equivalent at the beginning of the year	<u>12,861</u>	<u>16,151</u>	<u>66,049</u>
Cash and cash equivalent at the end of the year	<u><u>16,151</u></u>	<u><u>66,049</u></u>	<u><u>74,955</u></u>

#### Net cash generated from operating activities

Our cash inflow from operating activities is primarily generated from the provision of foundation and ground investigation field works. Our cash outflow for operating activities primarily related to staff costs, purchase of construction materials and consumables, staff costs, sub-subcontracting charges and administrative expenses. Our cash flow from operating activities is affected by a number of factors, which include the progress of foundation and ground investigation field works projects and the settlement of trade receivables by our customers and trade payables by our Group.

During the year ended 31 March 2015, our net cash generated from operating activities amounted to approximately HK\$23.4 million. Our net cash inflow from operating activities after adjusting for non-cash items but before changes in working capital was approximately HK\$97.0 million. The difference of approximately HK\$73.6 million was mainly attributable the combined effect of (i) the increase in trade and other receivables of approximately HK\$ 20.2 million and the increase in gross amounts due to customers for contract work of approximately HK\$ 3.4 million, all of which were driven by progress billing and settlement thereof; (ii) the decrease in trade and other payables of approximately HK\$25.9 million and

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## FINANCIAL INFORMATION

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(iii) the tax payment of approximately HK\$24.5 million. The aforesaid movements of items (i) and (ii) were driven by the project status of our completed and ongoing foundation works projects in the corresponding last quarter of each reporting period.

During the year ended 31 March 2014, our net cash generated from operating activities amounted to approximately HK\$85.5 million. Our net cash inflow from operating activities after adjusting for non-cash items but before changes in working capital was approximately HK\$67.0 million. The difference of approximately HK\$18.5 million was mainly attributable to the net effect of (i) decrease in amounts due from customers for contract work and trade and other receivables of approximately HK\$4.9 million and HK\$3.6 million respectively and increase in amounts due to customers for contract work of approximately HK\$11.4 million, all of which were driven by progress billing and settlement thereof; (ii) the increase in trade and other payables of approximately HK\$9.9 million; and (iii) offset by tax paid of approximately HK\$7.2 million. The aforesaid movements of items (i) and (ii) were driven by the project status of our completed and ongoing foundation works projects in the corresponding last quarter of each reporting period.

During the year ended 31 March 2013, our net cash generated from operating activities amounted to approximately HK\$31.3 million. Our net cash inflow from operating activities after adjusting for non-cash items but before changes in working capital was approximately HK\$58.1 million. The difference of approximately HK\$26.8 million was primarily due to a combination of (i) the increase in trade and other receivables of approximately HK\$28.9 million offset by a decrease in amounts due from customers for contract work of approximately HK\$7.8 million, which are driven by progress billing and settlement thereof, and (ii) tax paid of approximately HK\$5.1 million. The aforesaid movements of item (i) was driven by the project status of our completed and ongoing foundation works projects in the corresponding last quarter of each reporting period.

### **Net cash generated from/used in investing activities**

Our cash outflow for investing activities was primarily utilised to acquire machinery and equipment. Our cash inflow from investing activities was primarily derived from net proceeds from sales and lease back transactions.

During the year ended 31 March 2015, our net cash generated from investing activities amounted to approximately HK\$2.5 million which was mainly attributable to the cash utilised to acquire machinery and equipment of approximately HK\$6.8 million and net advance to related parties of approximately HK\$2.6 million, which was partly offset by the net proceeds from sales and leaseback transactions of approximately HK\$4.3 million and the cash inflow from the acquisition of a subsidiary of approximately HK\$6.8 million.

During the year ended 31 March 2014, our net cash used in investing activities amounted to approximately HK\$14.1 million which was mainly attributable to the cash utilised to acquire machinery and equipment of approximately HK\$28.1 million and net advance to related parties of approximately HK\$6.8 million, which was partly offset by the net proceeds from sales and leaseback transactions of approximately HK\$20.2 million.

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## FINANCIAL INFORMATION

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During the year ended 31 March 2013, our net cash used in investing activities amounted to approximately HK\$15.3 million which was mainly related to the cash outflow of approximately HK\$27.1 million utilised to acquire machinery and equipment, which was partly offset by the net proceeds from sales and leaseback transactions of approximately HK\$11.2 million.

### Net cash used in financing activities

Our cash inflow from financing activities was primarily from payment of finance lease rentals paid. Our cash outflow for financing activities primarily consists of (i) payment of capital and interest elements of finance lease rentals; (ii) repayment of bank loans and interests; and (iii) payment of a dividend.

During the year ended 31 March 2015, our net cash used in financing activities amounted to approximately HK\$16.9 million. Cash outflow mainly included (i) the payment of capital and interest elements of finance lease rentals of approximately HK\$13.4 million and HK\$0.6 million respectively; and (ii) the payment of capitalised listing expenses in relation to the share issue approximately HK\$2.9 million.

During the year ended 31 March 2014, our net cash used in financing activities amounted to approximately HK\$21.5 million. Cash outflow mainly included (i) the payment of capital and interest elements of finance lease rentals of approximately HK\$14.7 million and HK\$0.7 million respectively; and (ii) a dividend payment of approximately HK\$4.5 million.

During the year ended 31 March 2013, our net cash used in financing activities amounted to approximately HK\$12.7 million. Cash outflow mainly included (i) the payment of capital and interest elements of finance lease rentals of approximately HK\$10.1 million and HK\$0.2 million respectively; and (ii) the repayment of bank loans of approximately HK\$2.4 million.

### CAPITAL EXPENDITURES

The following table sets out our Group's capital expenditure for the years indicated. Our capital expenditures were financed by finance leases and funded by cash generated from operations.

	Year ended 31 March		
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Machinery	30,802	31,178	5,110
Leasehold improvements	–	–	–
Furniture and fixtures	99	124	124
Motor vehicles	–	2,974	–
	<u>30,901</u>	<u>34,276</u>	<u>5,234</u>

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## FINANCIAL INFORMATION

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Our Group's capital expenditure primarily consists of purchases of machinery. The investment in machinery is crucial to our business and operations as it affect our availability of required machinery and the fluctuation of machinery rental. Our Group plans to finance future capital expenditures primarily through the new proceeds from the Global Offering. We intends to use approximately HK\$16.5 million, HK\$8.5 million, HK\$7.3 million and HK\$9.3 million of our net proceeds to acquire additional machinery during the year ending 31 March 2016, 2017, 2018 and 2019 respectively. For details, please refer to the section "Future Plans and Uses of Proceeds"

### INDEBTEDNESS

As at the close of business on 31 May 2015, being the latest practicable date prior to the printing of this prospectus for the purpose of this indebtedness statement, our Group had outstanding indebtedness of approximately HK\$10.7 million.

The table below sets out the indebtedness of our Group as at the respective dates indicated.

	<b>At 31 March</b>		<b>At 31 May</b>	
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(Unaudited)</i>
<b>Indebtedness</b>				
Non-current				
Obligations under finance leases	6,714	10,203	3,201	2,178
Current				
Short term bank Loans	186	–	–	–
Obligations under finance leases	<u>6,703</u>	<u>11,346</u>	<u>9,197</u>	<u>8,558</u>
	<u>6,889</u>	<u>11,346</u>	<u>9,197</u>	<u>8,558</u>
<b>Total borrowings</b>	<b><u>13,603</u></b>	<b><u>21,549</u></b>	<b><u>12,398</u></b>	<b><u>10,736</u></b>

During the Track Record Period, our Group settled our debt obligations in a timely manner and did not breach any financial bank covenant. During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any difficulty in obtaining banking and unsecured loan facilities.

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## FINANCIAL INFORMATION

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### Short-term bank loans

Set out below is the maturity profile of our bank loans as at the respective dates indicated, and ignoring the effect of any repayment on demand clauses.

	At 31 March			At 31 May
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(Unaudited)</i>

#### Indebtedness by due date

Within 1 year	186	–	–	–
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As at 31 March 2013, 2014 and 2015, our Group had short-term bank loans of approximately HK\$0.2 million, nil and nil, respectively, which were primarily utilised for working capital purposes.

Up to the Latest Practicable Date, our Group did not withdraw any other bank loans.

### Finance Leases

Set out below is the maturity profile of our finance leases as at the respective dates indicated and ignoring the effect of any repayment on demand clauses.

	At 31 March			At 31 May
	2013	2014	2015	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(Unaudited)</i>

#### Indebtedness by due date

Within 1 year	6,703	11,346	9,197	8,558
Between 1 and 2 years	4,100	7,951	3,145	2,150
Between 2 and 5 years	2,614	2,252	56	28
	13,417	21,549	12,398	10,736

As at 31 March 2013, 2014 and 2015, our total finance lease liabilities (including both current and non-current portions) were approximately, HK\$13.4 million, HK\$21.5 million and HK\$12.4 million respectively. The carrying amounts of all finance lease liabilities are denominated in HK dollars. The lease liabilities, with weighted average interest rate of approximately 3.44%, 3.83% and 2.92%, respectively, were secured as the rights to the leased machines revert to the lessors in the event of default.

As at 31 May 2015, our total finance lease liabilities decreased further to approximately HK\$10.7 million, mainly due to repayment of finance lease.

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## FINANCIAL INFORMATION

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Typically, our Group becomes the owner of the machinery and equipment at the end of the relevant lease term upon the payment of a nominal amount. These finance leases are classified as liabilities of our group and the relevant machinery and equipment are recorded as assets of our Group. For further details on machinery and equipment employed by our Group under finance lease, please refer to section headed “Financial Information – Obligations under finance lease and fixed assets addition” in this prospectus.

### **Bank Overdraft Facility**

On 13 January 2010, our Group was granted a loan facility of HK\$6,000,000 by ICBC in Hong Kong with an interest rate of 2% per annum below Hong Kong Dollar Best Lending Rate. As at the Latest Practicable Date, a loan facility of HK\$6,000,000 has not been utilized.

Bank loans and finance leases under personal guarantee our executive Directors as at 31 March 2015 will be released before the Listing.

### **DISCLAIMER**

Save as disclosed in this prospectus, we did not have outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, guarantees or other contingent liabilities as of 31 May 2015, being our indebtedness statement date. Our Directors confirm that, as at the Latest Practicable Date, there is no material change in our Group’s indebtedness since 31 May 2015.

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## FINANCIAL INFORMATION

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### COMMITMENTS

Capital commitments contracted for but not provided for:

	At 31 March		
	2013	2014	2015
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Contracted for	<u>6,303,537</u>	<u>–</u>	<u>247,200</u>

### Total future minimum leases payments payable under non-cancellable operating leases

	At 31 March		
	2013	2014	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	617	1,395	1,793
After 1 year but within 5 years	<u>–</u>	<u>–</u>	<u>1,470</u>
	<u>617</u>	<u>1,395</u>	<u>3,263</u>

Our Group is the lessee in respect of office premises and open storage depot occupied under non-cancellable operating leases in Hong Kong.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Save for (i) performance bonds in relation to GI1 and GI2 amounted to HK\$4.1 million which is covered by insurance; (ii) the operating lease commitment as lessee of approximately HK\$3.3 million, and (iii) the capital commitment in relation to the contracted (but not yet provided) for approximately HK\$0.2 million, our Group has not entered into, nor do we expect to enter into, any off balance sheet commitments as at 31 March 2015.

### SUFFICIENCY OF WORKING CAPITAL

Taking into account the financial resources available to our Group, including the internally generated funds, the available banking facilities and the estimated net proceeds of the Global Offering, our Directors are of the opinion that our Group has sufficient funds to meet the working capital and financial requirements, for at least the next twelve months from the date of this prospectus.



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## FINANCIAL INFORMATION

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### CAPITAL MANAGEMENT AND FINANCIAL RISK MANAGEMENT

#### Capital management

Our Group actively and regularly reviews and manages our capital structure in order to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. Our Group monitors our capital structure on the basis of the gearing ratio.

#### Financial risk management

Our Group is exposed to interest rate risk, credit risk and liquidity risk in the normal course of business. Further details on our financial risk management policies and practices are set out in note 20 to the financial information in the Accountants' Report.

### CONTINGENT LIABILITIES

As at 31 March 2015, we had no material contingent liabilities as set out in Accountants' Report set forth in Appendix I to this prospectus.

The Company was incorporated in the Cayman Islands on 7 October 2014. The companies comprising the Group underwent and completed a Reorganisation in preparation for the listing of the Company's shares on the Stock Exchange. Further details of the Reorganisation are set out in the section headed "History, Reorganisation and Group Structure" in the Prospectus. After completion of the Reorganisation on 9 May 2015, the Company became the holding company of the Group.

Please refer to Accountants' Report set out in Appendix I in "Subsequent Event – Business Combination – acquisition of a subsidiary" for more information about Wan Kei (Macau).

### NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2015 (being the date to which the latest audited combined financial statements of our Group were made up) up to the date of this prospectus.

### DIVIDEND POLICY

For each of the three preceding financial years ended 31 March 2015, members of our Group declared dividends of nil, HK\$4.5 million and HK\$60.0 million, representing approximately nil, 11.4% and 96.3% of the respective year's net profit attributable to shareholders. On 15 January 2014, a member of our Group declared and paid interim dividends of HK\$4.5 million from its working capital to shareholders. The declared dividends of HK\$60.0 million were paid from our internal resources in April 2015. Our Directors consider that there is no material adverse impact on our Group's financial and liquidity position arising out of the dividend payments.

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## FINANCIAL INFORMATION

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Dividends may be paid out by way of cash or by other means that we consider appropriate. Declaration and payment of any dividends would require the recommendation of our Board and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. A decision to declare or to pay any dividend in the future, and the amount of any dividends, depends on a number of factors, including our results of operations, financial condition, the payment by our subsidiaries of cash dividends to us; and other factors our Board may deem relevant. There will be no assurance that our Company will be able to declare or distribute any dividend in the amount set out in any plan of our Board or at all. The 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 our Board in the future.

### DISTRIBUTABLE RESERVES

Our Company was incorporated on 7 October 2014, and as at 31 March 2015, in the option of our Directors, there were no reserves available for distribution to our Shareholders.

### RELATED PARTY TRANSACTIONS

With respect to the related parties transactions set out in note 22 of the Accountants' Report in Appendix I to this prospectus, our Directors believe that such transactions were conducted on normal commercial terms and such terms were no less favourable to our Group than terms available to Independent Third Parties and were fair and reasonable and in the interests of our Shareholders as a whole.

### LISTING EXPENSES

The total amount of listing expenses and commission in connection with the Global Offering is approximately HK\$28.2 million, which will be equally borne by the Selling Shareholders and us, each bearing approximately HK\$14.1 million. The portion of listing expenses borne by the Selling Shareholders in connection with the Sale Shares of approximately HK\$4.7 million will be set-off against the listing expenses of our Company. The portion of listing expenses of approximately HK\$9.4 million reimbursed by the Selling Shareholders in its capacity as shareholder will be accounted for as capital contribution to our Company.

Of the aggregate listing expenses of approximately HK\$28.2 million, approximately HK\$4.7 million directly attributable to the issue of New Shares will be accounted for as a deduction from equity upon Listing. Of the remaining HK\$23.5 million, approximately HK\$4.7 million will be borne by the Selling Shareholders as stated above and approximately HK\$18.8 million will be charged to our profit or loss. We incurred approximately HK\$13.9 million of listing expenses during the Track Record Period, among which HK\$3.1 million was recorded as prepayments and HK\$10.8 million was recorded as expenses. An additional amount of approximately HK\$8.0 million will be charged to the profit or loss for the year ending 31 March 2016. Expenses in relation to the Listing are non-recurring in nature. **The Director wishes to inform our Shareholders and potential investors that our Group's financial performance and results of operations for the year ending 31 March 2016 will be significantly affected by the estimated expenses in relation to the Listing.**

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## FINANCIAL INFORMATION

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### UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of our adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below, for the purpose of illustrating the effect of the Global Offering on our combined net tangible assets as at 31 March 2015 as if the Global Offering had taken place on 31 March 2015.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of our financial position following the Global Offering. It is prepared based on our combined net tangible assets attributable to equity shareholders of our Company as of 31 March 2015 as derived from our combined financial information set forth in the Accountants' Report in Appendix I, and adjusted as described below.

	<b>Combined net tangible assets attributable to equity shareholders of our Company as at 31 March 2015 <sup>(1)</sup> <i>HK\$'000</i></b>	<b>Estimated net proceeds from the Global Offering <sup>(2)</sup> <i>HK\$'000</i></b>	<b>Unaudited pro forma adjusted net tangible assets <sup>(3)</sup> <i>HK\$'000</i></b>	<b>Unaudited pro forma adjusted net tangible assets per Share <sup>(4)</sup> <i>HK\$</i></b>
Based on an Offer Price of HK\$0.85 per share	146,080	81,423	227,503	0.28
Based on an Offer Price of HK\$0.65 per share	<u>146,080</u>	<u>61,923</u>	<u>208,003</u>	<u>0.26</u>

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## FINANCIAL INFORMATION

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*Notes:*

- (1) The combined net tangible assets attributable to equity shareholders of our Company as at 31 March 2015 is extracted from the combined financial information included in the Accountants' Report as set out in Appendix I to this prospectus, which is compiled based on the combined net assets attributable to equity shareholders of our Company as at 31 March 2015 of HK\$146.4 million with an adjustment for the intangible assets as at 31 March 2015 of HK\$0.4 million.
- (2) The estimated net proceeds from the Global Offering are based on 100,000,000 New Shares at the Offer Price of HK\$0.65 per Offer Share or HK\$0.85 per Offer Share, being the low or high end of the stated Offer Price range, after deduction of the underwriting fees and other listing-related expenses payable by our Group of approximately HK\$3.1 million or HK\$3.6 million based on the Offer Price of HK\$0.65 per Offer Share or HK\$0.85 per Offer Share respectively (taking into account the effect of listing-related expenses of approximately HK\$10.8 million which have been accounted for prior to 31 March 2015, listing-related expenses of approximately HK\$4.5 million or HK\$5.0 million borne by the Selling Shareholders for the sale of Sale Share based on the Offer Price of HK\$0.65 per Offer Share or HK\$0.85 per Offer Share respectively and approximately HK\$9.4 million that the Selling Shareholders has agreed to reimburse in its capacity as shareholders of the Company).
- (3) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 31 March 2015.
- (4) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 800,000,000 Shares were in issue immediately following the completion of the Global Offering. It does not take into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate on issue Shares and Repurchase Mandate.

### **DISCLOSURE REQUIRED UNDER THE LISTING RULES**

Our Directors have confirmed that as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had the Shares been listed on the Stock Exchange.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

For a detailed description of our future plans, please refer to the paragraph headed “Business – Business Strategies” in this prospectus.

### USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Global Offering which we will receive, after deducting underwriting commissions and estimated expenses paid and payable by us in connection to the Global Offering, to be approximately HK\$60.9 million, assuming an Offer Price of HK\$0.75 per Share, being the mid-point of the proposed Offer Price range of HK\$0.65 to HK\$0.85. We intend to apply such net proceeds as follows:

- approximately HK\$41.6 million or approximately 68.4% of the net proceeds for the expansion of our fleet of machinery and equipment by acquiring additional air compressors, drilling rigs, crawler cranes, automatic grouting stations and other ancillary machinery and equipment to providing foundation services in the next four years to enhance our service capacity to cope with the expected growing demand in the foundation industry. The planned allocation of this portion of the net proceeds among machinery and equipment is as follows:

Number and type of machinery and equipment	Percentage of proceeds
3 sets of large drilling rigs	32.4%
3 sets of small drilling rigs	14.4%
7 sets of air compressors	13.1%
2 sets of crawler cranes	21.6%
1 set of automatic grouting stations	2.1%
2 sets of crane lorries	9.6%
1 set of vibro hammer	6.8%

- approximately HK\$6.6 million or approximately 10.8% of the net proceeds for the reinforcement of our workforce by recruiting additional staff, including 2 foremen, 2 machinery operators, 7 skilled labour, 2 welders, and 2 safety assistant officers, and hiring the service of a safety consultant per annum in the next four years;
- approximately HK\$7.0 million or approximately 11.5% of the net proceeds for the repayment of certain outstanding finance leases, under which Wan Kei Machinery acquired certain machinery and equipment, with interest rates ranging from 3.50% to 3.75% per annum repayable by monthly instalments. <sup>(Note)</sup> All of these finance leases will expire on or before 2016; and
- approximately HK\$5.7 million or approximately 9.3% of the net proceeds for general working capital of our Group.

*Note:* Approximately HK\$2,507,303.71 or approximately 33.0% of the aforesaid outstanding finance leases were secured in October 2014 for the purpose of acquiring machinery and equipment with interest rates of 3.75% per annum, and will expire on or before November 2016.

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## FUTURE PLANS AND USE OF PROCEEDS

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If the Offer Price is set at either the high-end or low-end of the proposed Offer Price range, the net proceeds of the Global Offering will increase or decrease by approximately HK\$9.8 million, the allocation of which will be used in the same proportions as set out above.

To the extent that the net proceeds of the Global Offering which we will receive are not immediately applied for the above purposes, we currently intend to deposit such net proceeds into interest-bearing bank accounts with licensed banks and/or financial institutions in Hong Kong.

We estimate that the Selling Shareholders will receive net proceeds of approximately HK\$60.9 million at the Offer Price of HK\$0.75 per Share (being the mid-point of the indicative range of the Offer Price) after deducting related underwriting fees and estimated expenses in connection with the Global Offering. We will not receive any of the net proceeds of the Global Offering from the sale of Sale Shares by the Selling Shareholders.

We will issue an announcement in the event that there is any material change in the use of proceeds of the Global Offering as set out above.

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## UNDERWRITING

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### **Hong Kong Underwriters**

Kingston Securities Limited

Kingsway Financial Services Group Limited

Get Nice Securities Limited

VC Brokerage Limited

### **UNDERWRITING ARRANGEMENTS AND EXPENSES**

#### **Hong Kong Public Offer**

##### *Hong Kong Underwriting Agreement*

In connection with the Hong Kong Public Offer, our Company, amongst other parties, have entered into the Hong Kong Underwriting Agreement, with the Hong Kong Underwriters. As described in the Hong Kong Underwriting Agreement, we are offering the Hong Kong Public Offer Shares for subscription on the terms and conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued, and to certain other conditions described in the Hong Kong Underwriting Agreement (including Kingston Securities Limited (for itself and on behalf of the Hong Kong Underwriters) and our Company (for itself and on behalf of the Selling Shareholders) agreeing to the Offer Price), the Hong Kong Underwriters have agreed severally to subscribe, or procure subscribers to subscribe, for the Hong Kong Public Offer Shares which are being offered but not taken up under the Hong Kong Public Offer on the terms and subject to the conditions of the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, amongst other things, the International Underwriting Agreement having been signed and becoming unconditional.

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## UNDERWRITING

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### *Grounds for termination*

If, at any time prior to 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur or come into force:
  - (i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Macau or any other jurisdiction(s) relevant to our Company and our subsidiaries or any other similar event which in the sole and absolute opinion of Kingston Securities Limited (for itself and on behalf of the Hong Kong Underwriters) has a material adverse effect on the existing and/or prospective business or financial conditions of our Group as a whole; or
  - (ii) any change (whether or not permanent) in Hong Kong, Macau and other countries or territories relevant to our Group's present business operation in relation to national, regional, financial, military, industrial or economic conditions, or the stock market, fiscal or political conditions, or regulatory or market conditions and matters and/or disasters which in the sole and absolute opinion of Kingston Securities Limited (for itself and on behalf of the Hong Kong Underwriters) has a material adverse effect on the existing and/or prospective business or financial conditions of our Group as a whole; or
  - (iii) without prejudice to sub-paragraph (i) or (ii) above, the imposition of any moratorium, suspension or restriction on trading in securities generally on the Stock Exchange; or
  - (iv) any event, or series of events, beyond the control of the Hong Kong Underwriters (including, without limitation, acts of government, strikes, lockout, fire, explosion, flooding, civil commotion, acts of war or acts of God, accident, terrorism, outbreak of disease or epidemic (including but not limited to severe acute respiratory syndrome, H5N1, H1N1, avian influenza and such related or mutated forms)) affecting Hong Kong or Macau which in the sole and absolute opinion of Kingston Securities Limited (for itself and on behalf of the Hong Kong Underwriters) would constitute a material adverse effect on the existing and/or prospective business or financial conditions of our Group as a whole; or
  - (v) any change or development occurs involving a prospective change in taxation or in exchange control in Hong Kong, Macau, the British Virgin Islands, the Cayman Islands or any other countries or territories to which any member of our Group is subject or the implementation of any exchange controls which in the sole and absolute opinion of Kingston Securities Limited (for itself and on behalf of the Hong Kong Underwriters) would or might adversely affect our Group as a whole in a material way; or



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## UNDERWRITING

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- (vi) save as disclosed in this prospectus, any litigation or claim against our Group which in the sole and absolute opinion of Kingston Securities Limited (for itself and on behalf of the Hong Kong Underwriters) has a material adverse effect on the existing and/or prospective business or financial conditions of our Group as a whole; or
- (vii) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (viii) a material contravention by any member of our Group of the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFO, or any of the Listing Rules; or
- (ix) a prohibition on our Company for whatever reason from allotting our Shares pursuant to the terms of the Global Offering; or
- (x) a petition is presented or an order is made for the winding up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of our Group or a provisional liquidator, receiver or manager is appointed overall or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any material member of our Group; or
- (xi) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for any countries or territories relevant to our Group's present operation which in the sole and absolute opinion of Kingston Securities Limited (for itself and on behalf of the Hong Kong Underwriters) has a material adverse effect on the existing and/or prospective business or financial conditions of our Group as a whole; or
- (xii) any change or development involving a prospective change or development, or any event or series of events or results, likely to result in or represents any change or prospective change, or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency or market conditions or any monetary or trading settlement system or matters and/or disaster (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States, imposition or declaration of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange, or a material devaluation of Hong Kong dollars or the Renminbi against any foreign currencies, or any moratorium on banking activities or disruption in commercial banking activities or foreign exchange or securities settlement or clearance services or procedures

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## UNDERWRITING

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in or affecting Hong Kong, Macau, or any other jurisdiction relevant to any member of our Group) in or affecting Hong Kong, Macau, or any other relevant jurisdiction which may materially affect the operation of our Group;

and in the sole and absolute opinion of Kingston Securities Limited (for itself and on behalf of the Hong Kong Underwriters), has a material adverse effect on the Global Offering; or

- (b) there comes to the notice of Kingston Securities Limited (for itself and on behalf of the Hong Kong Underwriters) any matter or event showing:
  - (i) any of the representations and warranties contained in the Hong Kong Underwriting Agreement to be untrue or inaccurate or, if repeated immediately after the occurrence thereof, would be untrue or inaccurate in any respect considered by Kingston Securities Limited (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material or any of the obligations or undertakings expressed to be assumed by or imposed on the warrantors of the Hong Kong Underwriting Agreement not to have been complied with in any respect considered by Kingston Securities Limited (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in the overall context of the Global Offering; or
  - (ii) any statement contained in this prospectus, the submissions, documents or information provided to Kingston Securities Limited (for itself and on behalf of the Hong Kong Underwriters), the Stock Exchange, the legal adviser to the Sole Sponsor, the Joint Lead Managers and the Underwriters and any other parties involved in the Global Offering which in the sole and absolute opinion of Kingston Securities Limited (for itself and on behalf of the Hong Kong Underwriters) has become or been discovered to be untrue, incorrect, incomplete or misleading in any material respect; or
  - (iii) matters have arisen or have been discovered which would, if this prospectus was to be issued at that time, constitute, in the sole and absolute opinion of the Kingston Securities Limited (for itself and on behalf of the Hong Kong Underwriters), a material omission of such information; or
  - (iv) there is any other adverse change in the business or in the financial or trading position of our Group which in the sole and absolute opinion of Kingston Securities Limited (for itself and on behalf of the Hong Kong Underwriters) is material in the overall context of the Global Offering; or
  - (v) there comes to the notice of Kingston Securities Limited any information, matter or event which in the sole and absolute opinion of Kingston Securities Limited (for itself and on behalf of the Hong Kong Underwriters) would cast any serious doubt on the reputation of our Group and/or our Directors to the extent that any statements in this prospectus will be misleading or incorrect in a material way,

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## UNDERWRITING

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then Kingston Securities Limited (for itself and on behalf of the Hong Kong Underwriters) shall be entitled to terminate their obligations under the Hong Kong Underwriting Agreement by giving notice in writing to our Company.

### UNDERTAKINGS GIVEN TO THE STOCK EXCHANGE PURSUANT TO THE LISTING RULES

#### Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the Listing Date), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

#### Undertaking by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, our Controlling Shareholders immediately before completion of the Global Offering, have undertaken to the Stock Exchange that except pursuant to the Global Offering, each of them shall not, and shall procure that any other registered holder (if any) of our Shares in which our respective Controlling Shareholders have a beneficial interest shall not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the requirements of the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is six months from the date on which dealings in our Shares commence on the Stock Exchange (the “**First Six-month Period**”), dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights interests, or encumbrances in respect of any of our Shares or securities in respect of which any of them are shown in this prospectus to be the beneficial owner(s); and
- (b) in the six months period commencing from the expiry of the First Six-month Period (the “**Second Six-month Period**”) dispose of, or enter into any agreement to dispose of, or otherwise created any options, rights, interests or encumbrances in respect of any of our Shares or securities in respect of which any of them are shown in this prospectus to be the beneficial owner(s), if immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of them would then cease to be a controlling shareholder (as the term is defined under the Listing Rules) of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that within the First Six-month Period and the Second Six-month Period, he/it will:

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## UNDERWRITING

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- (i) when he/it pledges or charges any of our Shares or securities beneficially owned by him/it in favor of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of our Shares or securities so pledged or charged; and
- (ii) when he/it receives indications, either verbal or written, from the pledgee or chargee of any of our Shares or securities that any of the pledged or charged Shares or securities will be disposed of, immediately inform our Company of such indications.

We will also inform the Stock Exchange as soon as we have been informed of any of the above matters (if any) by any of our Controlling Shareholders and disclose such matters by way of announcement in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of our Controlling Shareholders.

### UNDERTAKINGS PURSUANT TO THE HONG KONG UNDERWRITING AGREEMENT

#### Undertaking by our Company

Our Company undertakes to and covenants with the Sole Sponsor, the Joint Lead Managers and the Hong Kong Underwriters that and each of the Controlling Shareholders and executive Directors undertakes to and covenants with the Sole Sponsor, the Joint Lead Managers and the Hong Kong Underwriters that he/it will procure the Company that, without the prior written consent of Joint Lead Managers (for themselves and on behalf of the Hong Kong Underwriters), save pursuant to the Global Offering, the grant of any option under the Share Option Scheme, or the issue of Shares upon exercise of any option granted under the Share Option Scheme, (a) within the period commencing on the date by reference to which disclosure of the shareholding of our Controlling Shareholders is made in the Prospectus and ending on the date which is six months from the Listing Date (the “**First Six Month Period**”), our Company and our subsidiaries will not, issue or agree to issue (conditionally or unconditionally) any shares or securities of, or grant or agree to grant (conditionally or unconditionally) any options, warrants or other rights carrying the rights to subscribe for, or otherwise convert into, or exchange for any securities of, our Company or any of our subsidiaries; and (b) at any time during a further six months commencing on the expiry of the First Six Month Period (the “**Second Six Month Period**”), issue or grant (conditionally or unconditionally) any options or right to subscribe for or otherwise convert into or exchange for shares or securities in our Company or any of our subsidiaries so as to result in any of our Controlling Shareholders or its shareholders (together with any of their associates) either individually or taken together with the others of them cease to be a controlling shareholder (within the meaning of the Listing Rules) of our Company or cease to hold, directly or indirectly, a controlling interest of over 30% or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer in any of the companies controlled by him or it or any of their associates which owns any Shares or our Company ceasing to hold a controlling interest of over 30%, directly or indirectly, in any of our subsidiaries.

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## UNDERWRITING

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### **Undertaking by our Controlling Shareholders**

Each of our Controlling Shareholders jointly and severally undertakes to and covenants with our Company, the Sole Sponsor, the Joint Lead Managers and the Hong Kong Underwriters that:

- (a) he and it will not, and will procure that none of his or its associates or the companies controlled by him or it will, within the First Six Month Period, sell, transfer, dispose of or create any right (including without limitation the creation of any option, pledge, charge or other encumbrance or rights) on any of our Shares or any interests therein owned by him or it or any of their associates in respect of which he or it is shown in this prospectus to be the beneficial owner or in which he or it or any of their associates is, directly or indirectly interested immediately after the completion of the Global Offering, or sell, transfer, dispose of or create any right (including the creation of any option, pledge, charge or other encumbrance or rights) on any shares or interest in any company controlled by him or it or any of their associates which is the beneficial owner (directly or indirectly) of any of such Shares or any interests therein as aforesaid; and
  
- (b) save with the prior written consent of Joint Lead Managers (for themselves and on behalf of the Hong Kong Underwriters) (such consent shall not be unreasonably withheld or delayed) and unless in compliance with the Listing Rules, within the Second Six Month Period, he and it will not, and will procure that none of his or its associates or the companies controlled by him or it or any of their associates will sell, transfer, dispose of or create any rights (including the creation of any option, pledge, charge or other encumbrance or rights) on any Shares or any interests therein referred to in sub-clause (a) above or sell, transfer, dispose of or create any rights (including the creation of any option, pledge, charge or other encumbrance or rights) on any shares in any company controlled by him or it or any of their associates which is the beneficial owner (directly or indirectly) of such Shares or any interests therein as aforesaid if, immediately following such disposal or creation of rights, any of our Controlling Shareholders and its shareholders (together with his or its associates), either individually or taken together with the others, would, directly or indirectly, cease to be a controlling shareholder (within the meaning of the Listing Rules) of our Company or cease to hold, directly or indirectly, a controlling interest of over 30% or such lower amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer, in any of the companies controlled by him, it and/or any of their associates which owns such Shares or interests as aforesaid.

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## UNDERWRITING

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### **International Placing**

#### *International Underwriting Agreement*

In connection with the International Placing, our Company, amongst other parties, expect to enter into the International Underwriting Agreement with the International Underwriters, on the terms and conditions that are substantially similar to the Hong Kong Underwriting Agreement as described above and on the additional terms described below.

Under the International Underwriting Agreement, subject to the conditions set forth therein, the International Underwriters are expected to severally, but not jointly, agree to procure subscribers or purchasers to subscribe for or purchase, or failing which they shall subscribe for or purchase, the 180,000,000 International Placing Shares initially being offered pursuant to the International Placing. It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed. The International Underwriting Agreement is conditional on and subject to the Hong Kong Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the International Underwriting Agreement, our Company and our Controlling Shareholders will make similar undertakings as those given pursuant to the Hong Kong Underwriting Agreement as described in the paragraph headed “Undertakings pursuant to the Hong Kong Underwriting Agreement” above.

### **EXPENSES**

#### **Total commission, fee and expenses**

In connection with the Global Offering, (i) the Joint Global Coordinators and the other Underwriters will receive an underwriting commission of 2.5% of the aggregate Offer Price of all the Offer Shares, out of which they will pay any sub-underwriting commissions and selling concessions; and (ii) Kingsway Financial Services Group Limited will receive a management commission at HK\$0.8 million.

In connection with the Listing, the Sole Sponsor will receive a sponsorship and documentation fee.

Assuming the Offer Price of HK\$0.75 per Share (being the mid-point of the indicative Offer Price range stated in this prospectus), the total expenses in connection with the Listing and the Global Offering are estimated to be approximately HK\$28.2 million (including underwriting commission, brokerage, the Stock Exchange trading fee, the SFC transaction levy, the sponsorship and documentation fee, the listing fee, the legal and other professional fees, printing cost and other expenses relating to the Global Offering) which shall be equally borne by our Company and the Selling Shareholders.

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## UNDERWRITING

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Our Company, amongst other parties, have agreed to indemnify the Joint Global Coordinators and the other Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Underwriting Agreements, and any breach by our Company and other parties of the Underwriting Agreements.

### **Independence of the Sole Sponsor**

The Sole Sponsor satisfies the independence criteria applicable to sponsors set forth in Rule 3A.07 of the Listing Rules.

### **Sole Sponsor's, Joint Global Coordinators' and Underwriters' interest in our Company**

The Sole Sponsor has been appointed as the compliance adviser of our Company with effect from the Listing Date until despatch of the audited consolidated financial results for the second full financial year after the Listing Date, and our Company will pay to the Sole Sponsor an agreed fee for its provision of services with the scope required under the Listing Rules.

Save for their interests and obligations under the Underwriting Agreements and the advisory and documentation fee payable to the Sole Sponsor in respect of the Global Offering, none of the Sole Sponsor, the Joint Global Coordinators and the Underwriters is interested beneficially or non-beneficially in any shares in any member of our Group or has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.



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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer as part of the Global Offering. The Global Offering consists of:

- (i) the Hong Kong Public Offer of 20,000,000 New Shares (subject to re-allocation as mentioned below) in Hong Kong as described below in the paragraph headed “Hong Kong Public Offer” in this section; and
- (ii) the International Placing of 180,000,000 Shares comprising 80,000,000 New Shares and 100,000,000 Sale Shares (subject to re-allocation as mentioned below) which will conditionally be placed with selected professional, institutional, and other investors under the International Placing.

Investors may apply for the Offer Shares under the Hong Kong Public Offer or indicate an interest, if qualified to do so, for the Offer Shares under the International Placing, but may not do both.

The number of Offer Shares to be offered under the Hong Kong Public Offer and the International Placing respectively may be subject to reallocation as described in the paragraph headed “Hong Kong Public Offer – Reallocation” in this section.

### HONG KONG PUBLIC OFFER

#### Number of Shares initially offered

We are initially offering 20,000,000 New Shares at the Offer Price, representing 10% of the Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer, the number of Shares initially offered under the Hong Kong Public Offer will represent approximately 2.5% of our Company’s enlarged issued share capital immediately after completion of the Global Offering without taking into account Shares issuable upon exercise of options as may be granted under the Share Option Scheme.

The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional or professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Global Offering” in this section.

#### Allocation

Allocation of Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Public Offer Shares



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## STRUCTURE OF THE GLOBAL OFFERING

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validly applied for by applicants. The allocation of the Hong Kong Public Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

The total number of Hong Kong Public Offer Shares available under the Hong Kong Public Offer will initially be divided into two pools for allocation purposes as follows:

- Pool A: The Offer Shares in pool A, being an aggregate of 10,000,000 New Shares, will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) of HK\$5 million or less; and
- Pool B: The Offer Shares in pool B, being an aggregate of 10,000,000 New Shares, will be allocated on an equitable basis to applicants who have applied for Hong Kong Public Offer Shares with a total subscription amount (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) of more than HK\$5 million and up to the value of pool B.

Applicants should be aware that applications in pool A and pool B are likely to receive different allocation ratios. If Hong Kong Public Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Public Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 10,000,000 Offer Shares will be rejected.

### **Reallocation**

The allocation of Offer Shares between the Hong Kong Public Offer and the International Placing is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offer to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached. In the event of over-applications in the Hong Kong Public Offer, Kingston Securities Limited (for itself and on behalf of the Underwriters) shall apply a clawback mechanism following the closing of the application lists on the following basis:

- If the number of Offer Shares validly applied for under the Hong Kong Public Offer represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offer, then Offer Shares will be reallocated to the Hong Kong Public Offer from the

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## STRUCTURE OF THE GLOBAL OFFERING

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International Placing so that the total number of Offer Shares available under the Hong Kong Public Offer will be 60,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering;

- If the number of Offer Shares validly applied for under the Hong Kong Public Offer represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offer, then Offer Shares will be reallocated to the Hong Kong Public Offer from the International Placing so that the total number of Offer Shares available under the Hong Kong Public Offer will be 80,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering; and
- If the number of Offer Shares validly applied for under the Hong Kong Public Offer represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offer, then Offer Shares will be reallocated to the Hong Kong Public Offer from the International Placing so that the total number of Offer Shares available under the Hong Kong Public Offer will be 100,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offer will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced, in such manner as Kingston Securities Limited (for itself and on behalf of the Underwriters) deems appropriate. In addition, Kingston Securities Limited (for itself and on behalf of the Underwriters) may in its sole and absolute discretion reallocate Shares from the International Placing to the Hong Kong Public Offer to satisfy valid applications under the Hong Kong Public Offer.

If the Hong Kong Public Offer Shares are not fully subscribed, Kingston Securities Limited (for itself and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed Hong Kong Public Offer Shares to the International Placing in such amount as Kingston Securities Limited (for itself and on behalf of the Underwriters) deems appropriate. If the International Placing Shares are not fully subscribed or purchased, Kingston Securities Limited (for itself and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate all or any unsubscribed or un-purchased International Placing Shares to the Hong Kong Public Offer in such amount as Kingston Securities Limited (for itself and on behalf of the Underwriters) deems appropriate.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offer.

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## STRUCTURE OF THE GLOBAL OFFERING

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### INTERNATIONAL PLACING

#### Number of Offer Shares initially offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the International Placing will be 180,000,000 Shares comprising 80,000,000 New Shares and 100,000,000 Sale Shares, representing approximately 90% of the total number of the Offer Shares initially available under the Global Offering. Subject to the reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offer, the number of Shares initially offered under the International Placing will represent approximately 22.5% of our Company's enlarged issued share capital immediately after the completion of the Global Offering, without taking into account Shares issuable upon exercise of options granted under the Share Option Scheme,

#### Allocation

Pursuant to the International Placing, the International Placing Shares will be conditionally placed on behalf of our Company by the International Underwriters or through selling agents appointed by them. International Placing Shares will be selectively placed to certain professional and institutional and other investors who generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. The International Placing is subject to the Hong Kong Public Offer being unconditional.

Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the book-building process described in the paragraph headed "Pricing and Allocation" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

Kingston Securities Limited may require any investor who has been offered Offer Shares under the International Placing, and who has made an application under the Hong Kong Public Offer, to provide sufficient information to Kingston Securities Limited so as to allow it to identify the relevant applications under the Hong Kong Public Offer and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offer.

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## STRUCTURE OF THE GLOBAL OFFERING

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### PRICING AND ALLOCATION

#### Determining the Offer Price

The International Underwriters are soliciting from prospective investors indications of interest in acquiring the Shares in the International Placing. Prospective investors will be required to specify the number of Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offer.

Pricing for the Offer Shares for the purpose of the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Tuesday, 4 August 2015, and in any event on or before Wednesday, 5 August 2015, by agreement between Kingston Securities Limited (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholders).

#### Offer Price range

The Offer Price will be not more than HK\$0.85 per Offer Share and is expected to be not less than HK\$0.65 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

#### Price payable on application

Applicants for Offer Shares under the Hong Kong Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.85 for each Hong Kong Public Offer Share (plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee).

If, for any reason, our Company (for itself and on behalf of the Selling Shareholders) and Kingston Securities Limited (for itself and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before Wednesday, 5 August 2015, the Global Offering will not proceed and will lapse.

#### Change to the Offer Price range

Kingston Securities Limited (for itself and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Placing, and with the consent of our Company (for itself and on behalf of the Selling Shareholders), change the indicative Offer Price range stated in this prospectus at any time prior to the morning of Monday, 3 August 2015, being the date on which the application lists close in accordance with the provisions set out in the section headed “How to Apply for the Hong Kong Public Offer Shares” of this prospectus (the “**Acceptance Date**”).

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## STRUCTURE OF THE GLOBAL OFFERING

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In this case, we shall cause to be published:

- (a) a notice of the change on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.wankei.com.hk](http://www.wankei.com.hk). The notice will include a confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics and any other financial information in this prospectus which may change as a result of any such change; and
- (b) such supplemental offering documents as may be required by laws of any governmental authority to be published in such manner as the relevant laws or governmental authority may require as soon as practicable following the decision to make the change,

and not later than the morning of the Acceptance Date.

Before submitting applications for Hong Kong Public Offer Shares, applicants should have regard to the possibility that any announcement of an extension or reduction in the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer. Applicants who have submitted their applications for Hong Kong Public Offer Shares before such an announcement is made may subsequently withdraw their applications in the event that such an announcement is subsequently made. In the absence of any such announcement so published, the Offer Price, if agreed upon by Kingston Securities Limited (for itself and on behalf of the Underwriters) and our Company (for itself and on behalf of the Selling Shareholders), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

### **Announcement of Offer Price and basis of allocations**

The final Offer Price, the level of indications of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Public Offer Shares are expected to be announced on Monday, 10 August 2015 on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.wankei.com.hk](http://www.wankei.com.hk).

### **UNDERWRITING**

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company (for itself and on behalf of the Selling Shareholders) and Kingston Securities Limited (for itself and on behalf of the Underwriters), agreeing on the Offer Price.

We expect to enter into the International Placing Agreement relating to the International Placing on or around the Price Determination Date.

These underwriting arrangements and the Underwriting Agreements are summarised in the section headed "Underwriting" of this prospectus.

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## STRUCTURE OF THE GLOBAL OFFERING

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### CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares issuable upon exercise of options which may be granted under the Share Option Scheme);
- (ii) the Offer Price having been duly agreed between our Company (for itself and on behalf of the Selling Shareholders) and Kingston Securities Limited (for itself and on behalf of the Underwriters);
- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective agreements (unless and to the extent such conditions are validly waived on or before such dates and times)

If for any reason, the Offer Price is not agreed between our Company (for itself and on behalf of the Selling Shareholders) and Kingston Securities Limited (for itself and on behalf of the Underwriters) on or before Wednesday, 5 August 2015, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offer to be published by us on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.wankei.com.hk](http://www.wankei.com.hk) on the next business day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Public Offer Shares" in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Monday, 10 August 2015 but will only become valid certificates of title at 8:00 a.m. on the date of commencement of the dealings in our Shares, which is expected to be on Tuesday, 11

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## **STRUCTURE OF THE GLOBAL OFFERING**

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August 2015, provided that the Global Offering has become unconditional in all respects; and the right of termination as described in the section headed “Underwriting” has not been exercised.

### **SHARES WILL BE ELIGIBLE FOR CCASS**

All necessary arrangements have been made for the Shares to be admitted into CCASS.

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

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

### **DEALING ARRANGEMENTS**

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 11 August 2015, it is expected that dealings in Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, 11 August 2015.

The Shares will be traded in board lots of 5,000 Shares each. The stock code of the Shares is 1718.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### 1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Bookrunners and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Hong Kong Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Bookrunners may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Hong Kong Public Offer Shares.



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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- an close associate (as defined in the Listing Rules) of any of the above;
- a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

### 3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

#### Which Application Channel to Use

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Hong Kong Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. from Tuesday, 28 July 2015 until 12:00 noon on Monday, 3 August 2015 from:

1. any of the following offices of the Hong Kong Underwriters:

Kingston Securities Limited	Suite 2801, 28th Floor One International Finance Centre 1 Harbour View Street Central Hong Kong
Kingsway Financial Services Group Limited	7/F, Tower One Lippo Centre 89 Queensway Hong Kong

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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Get Nice Securities Limited  
10/F Cosco Tower  
Grand Millennium Plaza  
183 Queen's Road Central  
Hong Kong

VC Brokerage Limited  
28/F, The Centrium  
60 Wyndham Street  
Central  
Hong Kong

2. any of the following branches of Bank of Communications Co., Ltd. Hong Kong Branch:

District	Branch name	Address
<b>Hong Kong Island</b>	Hong Kong Branch	20 Pedder Street, Central
	Taikoo Shing Sub-Branch	Shop 38, G/F., CityPlaza 2, 18 Taikoo Shing Road
<b>Kowloon</b>	Kowloon Sub-Branch	G/F., 563 Nathan Road
	Cheung Sha Wan Plaza Sub-Branch	Unit G04 on G/F., Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road
<b>New Territories</b>	Tseung Kwan O Sub-Branch	Shops Nos. 252A, 252B, 253-255 on Podium Level 2, Metro City Phase I, Tseung Kwan O
	Shatin Sub-Branch	Shop No. 193, Level 3, Shatin Lucky Plaza, Shatin

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 28 July 2015 until 12:00 noon on Monday, 3 August 2015 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of Communications (Nominee) Co. Ltd. – Wan Kei Group Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Tuesday, 28 July 2015 – 9:00 a.m. to 5:00 p.m.
- Wednesday, 29 July 2015 – 9:00 a.m. to 5:00 p.m.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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- Thursday, 30 July 2015 – 9:00 a.m. to 5:00 p.m.
- Friday, 31 July 2015 – 9:00 a.m. to 5:00 p.m.
- Saturday, 1 August 2015 – 9:00 a.m. to 1:00 p.m.
- Monday, 3 August 2015 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 3 August 2015, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Applications Lists” in this section.

#### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you:

- undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Bookrunners (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Articles of Association;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- agree that none of our Company, the Selling Shareholders, the Sole Sponsor, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to our Company, the Selling Shareholders, the Sole Sponsor, our Hong Kong Branch Share Registrar, receiving bank, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Selling Shareholders, the Sole Sponsor, the Joint Bookrunners and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and our Company (for itself and on behalf of the Selling Shareholders) and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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- (xvii) understand that our Company, the Selling Shareholders and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional Instructions for Yellow Application Form**

You may refer to the **Yellow** Application Form for details.

## **5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS**

### **General**

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited  
Customer Service Center  
1/F, One & Two Exchange Square  
8 Connaught Place  
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Bookrunners and our Hong Kong Branch Share Registrar.

### **Giving Electronic Application Instructions to HKSCC via CCASS**

Where you have given **electronic application instructions** to apply for the Hong Kong Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Hong Kong Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Hong Kong Public Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
  - (if the electronic instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, the Selling Shareholders, our Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Selling Shareholders, the Sole Sponsor, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, the Sole Sponsor, the Selling Shareholders, our Hong Kong Branch Share Registrar, receiving bank, the Joint Bookrunners, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Public Offer

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

### Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;



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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 5,000 Hong Kong Public Offer Shares. Instructions for more than 5,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Public Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Tuesday, 28 July 2015 – 9:00 a.m. to 8:30 p.m.<sup>1</sup>
- Wednesday, 29 July 2015 – 8:00 a.m. to 8:30 p.m.<sup>1</sup>
- Thursday, 30 July 2015 – 8:00 a.m. to 8:30 p.m.<sup>1</sup>
- Friday, 31 July 2015 – 8:00 a.m. to 8:30 p.m.<sup>1</sup>
- Saturday, 1 August 2015 – 8:00 a.m. to 1:00 p.m.<sup>1</sup>
- Monday, 3 August 2015 – 8:00 a.m.<sup>1</sup> to 12:00 noon

*Note:*

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m., Tuesday, 28 July 2015 until 12:00 noon, Monday, 3 August 2015 (24 hours daily, except on the last application day).

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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The latest time for inputting your **electronic application instructions** will be 12:00 noon, Monday, 3 August 2015, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

### **No Multiple Applications**

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit.

Any **electronic application instructions** to make an application for the Hong Kong Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### **Personal Data**

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, our Hong Kong Branch Share Registrar, the receiving bank, the Joint Bookrunners, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

## **6. WARNING FOR ELECTRONIC APPLICATIONS**

The subscription of the Hong Kong Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Such facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Selling Shareholders, the Joint Bookrunners, the Sole Sponsor, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Hong Kong Public Offer Shares.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/ CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, 3 August 2015.

### 7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company, then the application will be treated as being for your benefit

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### 8. HOW MUCH ARE THE HONG KONG PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 5,000 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 5,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC). For further details on the Offer Price, see the section headed “Structure of the Global Offering – Pricing and Allocation”.

### 9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 3 August 2015.

Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 3 August 2015 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

### 10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offer and the basis of allocation of the Hong Kong Public Offer Shares on Monday, 10 August 2015 on our Company’s website at [www.wankei.com.hk](http://www.wankei.com.hk) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at [www.wankei.com.hk](http://www.wankei.com.hk) and the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 8:00 a.m. on Monday, 10 August 2015;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) with a "search by ID" function on a 24-hour basis from 8:00 a.m., on Monday, 10 August 2015 to 12:00 midnight on Friday, 14 August 2015;
- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Monday, 10 August 2015 to Thursday, 13 August 2015 (excluding Saturday, Sunday and Public Holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Monday, 10 August 2015 to Wednesday, 12 August 2015 at all the receiving bank's designated branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Public Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering" in this prospectus. You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Public Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If our Company or our agents exercise their discretion to reject your application:**

Our Company, the Joint Bookrunners and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Hong Kong Public Offer Shares is void:**

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Public Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Bookrunners believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offer.

### 12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.85 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the paragraph headed "Structure of the Global Offering – Hong Kong Public Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Monday, 10 August 2015.

### 13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public Offer Shares allotted to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and



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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Monday, 10 August 2015. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Tuesday, 11 August 2015 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### ***(i) If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Hong Kong Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 10 August 2015 or such other date as notified by us.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Monday, 10 August 2015, by ordinary post and at your own risk.



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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### *(ii) If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Hong Kong Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Monday, 10 August 2015, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, 10 August 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Hong Kong Public Offer shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS Participant.

- *If you are applying as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 10 August 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

### *(iii) If you apply via Electronic Application Instructions to HKSCC*

#### *Allocation of Hong Kong Public Offer Shares*

For the purposes of allocating Hong Kong Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### *Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, 10 August 2015, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the manner specified in "Publication of Results" above on Monday, 10 August 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 10 August 2015 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 10 August 2015. Immediately following the credit of the Hong Kong Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 10 August 2015.

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## HOW TO APPLY FOR HONG KONG PUBLIC OFFER SHARES

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### 14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

*The following is the text of a report, received from the Company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong for the purpose of incorporation in this prospectus.*



8th Floor  
Prince's Building  
10 Chater Road  
Central  
Hong Kong

28 July 2015

The Directors  
Wan Kei Group Holdings Limited  
Kingsway Capital Limited

Dear Sirs,

### **Introduction**

We set out below our report on the financial information relating to Wan Kei Group Holdings Limited (the "Company") and its subsidiaries (herein after collectively referred to as the "Group") comprising the combined statements of financial position of the Group as at 31 March 2013, 2014 and 2015, and the combined statements of profit or loss and comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Group, for each of the years ended 31 March 2013, 2014 and 2015 (the "Relevant Periods"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated 28 July 2015 (the "Prospectus").

The Company was incorporated in the Cayman Islands on 7 October 2014 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation completed on 9 May 2015 (the "Reorganisation") as detailed in the section headed "History, Reorganisation and Group Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group, details of which are set out in note 1(b) of Section B below. The Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Company and Hong Kong Wan Wai Company Limited, as they have not carried on any business since the date of incorporation and are investment holding companies which are not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

All companies now comprising the Group have adopted 31 March as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in note 1(b)

of Section B. The statutory financial statements of these companies were prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The directors of the Company have prepared the combined financial statements of the Group for the Relevant Periods (the “Underlying Financial Statements”) on the same basis as used in the preparation of the Financial Information set out in Section B below. The Underlying Financial Statements for each of the years ended 31 March 2013, 2014 and 2015 were audited by us under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information has been prepared by the directors of the Company for inclusion in the Prospectus in connection with the listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

#### **Directors’ responsibility for the financial information**

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with HKFRSs issued by the HKICPA and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

#### **Reporting accountants’ responsibility**

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline “Prospectuses and the Reporting Accountant” (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 31 March 2015.

#### **Opinion**

In our opinion, the Financial Information gives, for the purpose of this report, on the basis of preparation set out in note 1(b) of Section B below, a true and fair view of the state of affairs of the Group as at 31 March 2013, 2014 and 2015 and the Group’s combined results and cash flows for the Relevant Periods then ended.

## A. FINANCIAL INFORMATION

## 1. Combined statements of profit or loss and comprehensive income

	<i>Section B Note</i>	<b>Year ended 31 March</b>		
		<b>2013 HK\$</b>	<b>2014 HK\$</b>	<b>2015 HK\$</b>
<b>Turnover</b>	3	255,111,529	325,454,623	408,127,724
<b>Direct costs</b>		<u>(189,262,395)</u>	<u>(256,736,029)</u>	<u>(293,961,663)</u>
<b>Gross profit</b>		65,849,134	68,718,594	114,166,061
Other revenue	4	169,202	2,066,442	1,675,433
Other net income	5	609,175	146,487	840,073
General and administrative expenses		<u>(18,823,115)</u>	<u>(22,909,528)</u>	<u>(39,283,432)</u>
<b>Profit from operations</b>		47,804,396	48,021,995	77,398,135
Finance costs	6(a)	<u>(244,879)</u>	<u>(742,461)</u>	<u>(642,057)</u>
<b>Profit before taxation</b>	6	47,559,517	47,279,534	76,756,078
Income tax	7(a)	<u>(7,813,611)</u>	<u>(7,785,708)</u>	<u>(14,449,841)</u>
<b>Profit and total comprehensive income for the year</b>		<u>39,745,906</u>	<u>39,493,826</u>	<u>62,306,237</u>
<b>Attributable to:</b>				
Equity shareholders of the Company		39,702,408	39,367,398	61,999,801
Non-controlling interests		<u>43,498</u>	<u>126,428</u>	<u>306,436</u>
<b>Profit and total comprehensive income for the year</b>		<u>39,745,906</u>	<u>39,493,826</u>	<u>62,306,237</u>

The accompanying notes form part of the Financial Information.

## 2. Combined statements of financial position

		At 31 March		
	Section B Note	2013 HK\$	2014 HK\$	2015 HK\$
<b>Non-current assets</b>				
Fixed assets	12	44,779,006	59,490,550	44,339,280
Prepayment		2,872,000	–	50,000
Club memberships		400,000	400,000	400,000
Deferred tax assets	7(c)	33,976	137,600	149,150
		<u>48,084,982</u>	<u>60,028,150</u>	<u>44,938,430</u>
<b>Current assets</b>				
Gross amounts due from customers for contract work	13	58,559,542	53,682,993	55,190,995
Trade and other receivables	14	64,752,012	61,176,898	90,145,386
Amounts due from related parties	22(d)	760,170	9,025,207	–
Tax recoverable	7(c)	238,979	–	7,089,782
Cash and cash equivalents	15	16,151,145	66,049,272	74,955,617
		<u>140,461,848</u>	<u>189,934,370</u>	<u>227,381,780</u>
<b>Current liabilities</b>				
Gross amounts due to customers for contract work	13	7,340,224	18,701,121	15,306,341
Trade and other payables	16	43,076,023	53,742,477	27,518,314
Dividend payable		–	–	60,000,000
Amounts due to related parties	22(d)	5,443,053	1,493,643	–
Bank loans	17	185,716	–	–
Obligations under finance leases	18	6,702,619	11,345,989	9,197,146
Tax payable	7(c)	5,439,550	4,421,746	4,245,708
		<u>68,187,185</u>	<u>89,704,976</u>	<u>116,267,509</u>
<b>Net current assets</b>		<u>72,274,663</u>	<u>100,229,394</u>	<u>111,114,271</u>
<b>Total assets less current liabilities</b>		<u>120,359,645</u>	<u>160,257,544</u>	<u>156,052,701</u>

		At 31 March		
	<i>Section B</i>	2013	2014	2015
	<i>Note</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
<b>Non-current liabilities</b>				
Obligations under finance leases	<i>18</i>	6,713,950	10,202,688	3,200,582
Provision for long service payment		430,297	334,089	861,394
Deferred tax liabilities	<i>7(c)</i>	<u>3,420,812</u>	<u>4,932,355</u>	<u>4,896,076</u>
		<u>10,565,059</u>	<u>15,469,132</u>	<u>8,958,052</u>
<b>NET ASSETS</b>		<u><u>109,794,586</u></u>	<u><u>144,788,412</u></u>	<u><u>147,094,649</u></u>
<b>CAPITAL AND RESERVES</b>				
	<i>19</i>			
Share capital	<i>19(b)</i>	10,350,100	10,350,100	10,350,100
Reserves		<u>99,062,678</u>	<u>133,980,076</u>	<u>136,129,877</u>
Total equity attributable to equity shareholders of the Company		109,412,778	144,330,176	146,479,977
Non-controlling interests		<u>381,808</u>	<u>458,236</u>	<u>614,672</u>
<b>TOTAL EQUITY</b>		<u><u>109,794,586</u></u>	<u><u>144,788,412</u></u>	<u><u>147,094,649</u></u>

The accompanying notes form part of the Financial Information.



## 3. Combined statements of changes in equity

	<i>Section B Note</i>	Attributable to equity shareholders of the Company			Non- controlling interests HK\$	Total equity HK\$
		Share capital HK\$	Retained profits HK\$	Total HK\$		
At 1 April 2012		10,350,100	59,360,270	69,710,370	338,310	70,048,680
<b>Changes in equity for 2013:</b>						
Profit and total comprehensive income for the year		–	39,702,408	39,702,408	43,498	39,745,906
At 31 March 2013 and 1 April 2013		10,350,100	99,062,678	109,412,778	381,808	109,794,586
<b>Changes in equity for 2014:</b>						
Profit and total comprehensive income for the year		–	39,367,398	39,367,398	126,428	39,493,826
Dividends declared and paid to the then equity holders	10	–	(4,450,000)	(4,450,000)	(50,000)	(4,500,000)
At 31 March 2014 and 1 April 2014		10,350,100	133,980,076	144,330,176	458,236	144,788,412
<b>Changes in equity for 2015:</b>						
Profit and total comprehensive income for the year		–	61,999,801	61,999,801	306,436	62,306,237
Dividends declared	10	–	(59,850,000)	(59,850,000)	(150,000)	(60,000,000)
At 31 March 2015		<u>10,350,100</u>	<u>136,129,877</u>	<u>146,479,977</u>	<u>614,672</u>	<u>147,094,649</u>

The accompanying notes form part of the Financial Information.

## 4. Combined cash flow statements

	<i>Section B Note</i>	<b>Year ended 31 March</b>		
		<b>2013</b> <i>HK\$</i>	<b>2014</b> <i>HK\$</i>	<b>2015</b> <i>HK\$</i>
<b>Cash generated from operations</b>	15(b)	36,429,501	92,677,202	47,825,212
Tax paid		<u>(5,138,774)</u>	<u>(7,156,614)</u>	<u>(24,468,898)</u>
<b>Net cash generated from operating activities</b>		<u>31,290,727</u>	<u>85,520,588</u>	<u>23,356,314</u>
<b>Investing activities</b>				
Payment for the purchase of fixed assets		(27,116,491)	(28,073,808)	(6,834,323)
Proceeds from disposal of fixed assets		600,000	515,000	800,000
Net proceeds from sales and leaseback transactions		11,241,428	20,238,100	4,256,400
Net advance to related parties		–	(6,800,192)	(2,620,594)
Cash inflow from acquisition of a subsidiary	23	–	–	6,823,641
Interest received		<u>503</u>	<u>3</u>	<u>32,000</u>
<b>Net cash (used in)/generated from investing activities</b>		<u>(15,274,560)</u>	<u>(14,120,897)</u>	<u>2,457,124</u>
<b>Financing activities</b>				
Repayment of bank loans		(2,377,516)	(185,716)	–
Net repayments to related parties		(21,000)	(1,413,813)	–
Capital element of finance lease rentals paid		(10,082,402)	(14,659,574)	(13,407,349)
Interest element of finance lease rentals paid		(198,120)	(740,771)	(642,057)
Interest paid		(46,759)	(1,690)	–
Payments for share issue capitalised		–	–	(2,857,687)
Dividends declared and paid to the then equity holders		<u>–</u>	<u>(4,500,000)</u>	<u>–</u>
<b>Net cash used in financing activities</b>		<u>(12,725,797)</u>	<u>(21,501,564)</u>	<u>(16,907,093)</u>

	<i>Section B Note</i>	Year ended 31 March		
		2013 <i>HK\$</i>	2014 <i>HK\$</i>	2015 <i>HK\$</i>
Net increase in cash and cash equivalents		3,290,370	49,898,127	8,906,345
Cash and cash equivalents at the beginning of the year		<u>12,860,775</u>	<u>16,151,145</u>	<u>66,049,272</u>
Cash and cash equivalents at the end of the year	<i>15(a)</i>	<u>16,151,145</u>	<u>66,049,272</u>	<u>74,955,617</u>

The accompanying notes form part of the Financial Information.

**B. NOTES TO THE FINANCIAL STATEMENTS**

*(Expressed in Hong Kong dollars)*

**1 Significant accounting policies*****(a) Statement of compliance***

The Financial Information set out in this report has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes Hong Kong Accounting Standards and related interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Further details of the significant accounting policies adopted by Wan Kei Group Holdings Limited (the “Company”) and its subsidiaries (the “Group”) are set out in the remainder of Section B.

The HKICPA has issued a number of new and revised HKFRSs. For the purpose of preparing the Financial Information, the Group has adopted all applicable new and revised HKFRSs to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting period beginning on or after 1 April 2015. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 April 2015 are set out in note 24.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

***(b) Basis of preparation and presentation***

The Financial Information comprises the Company and its subsidiaries. The Financial Information has been prepared using the principles of merger accounting as if the Group had always been in existence as further explained below.

As detailed in the section headed “History, Reorganisation and Group Structure” in the Prospectus, the Company was incorporated in the Cayman Islands on 7 October 2014 as part of the Reorganisation undertaken by the Group. Upon completion of the Reorganisation on 9 May 2015, the Company became the holding company of the companies now comprising the Group.

The Group’s businesses were conducted principally through Wan Kei Geotechnical Engineering Company Limited (“Wan Kei Engineering”), Wan Kei Machinery Company Limited (“Wan Kei Machinery”) and Chung Shun Boring Engineering Company Limited (“Chung Shun”). These companies were controlled by Mr. Lau Woon Si, Mr. Fong Hon Hung and Mr. Leung Man Lun Stephen, who were acting in concert during the Relevant Periods (the “Controlling Shareholders”). Mr. Lau Woon Si and Mr. Fong Hon Hung controlled these companies during the Relevant Periods through Chung Hang Enterprises Holdings Limited and Gold Crown Consultants Limited up to 20 November 2014 respectively and thereafter through Suntecli Company Limited and Samwood Global Limited respectively.

The companies that took part in the Reorganisation were controlled by the Controlling Shareholders before and after the Reorganisation. As the control is not transitory and, consequently, there was a continuation of the risks and benefits to the Controlling Shareholders, the Reorganisation is considered to be a restructuring of entities under common control. The Financial Information has been prepared using the merger basis of accounting as if the Group has always been in existence. The net assets of the companies taking part in the Reorganisation are combined using the book values from the Controlling Shareholders’ perspective. The equity interests of equity shareholders other than the Controlling Shareholders in the companies taking part in the Reorganisation have been presented as non-controlling interests in the Group’s Financial Information.

The combined statements of profit or loss and comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Group for the Relevant Periods as set out in Section A of this report include the results of operations of the companies now comprising the Group (or where the companies were incorporated at a date later than 1 April 2012, for the period from the date of

incorporation to 31 March 2015) as if the current group structure had been in existence and remained unchanged throughout the Relevant Periods. The combined statements of financial position of the Group as at 31 March 2013, 2014 and 2015 as set out in Section A of this report have been prepared to present the state of affairs of the companies now comprising the Group as at those dates as if the current group structure had been in existence as at the respective dates.

Intra-group balances and transactions are eliminated in full in preparing the Financial Information.

As at the date of approval of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of company	Place of incorporation	Date of incorporation	Issued and fully paid up capital	Proportion of ownership interest		Principal activities
				Group's effective interest	Held by the Company	
Hong Kong Wan Wai Company Limited <sup>1</sup>	British Virgin Islands	30 September 2014	10,000 share of US\$1 each	100%	100%	Investment holding
Wan Kei Geotechnical Engineering Company Limited	Hong Kong	4 May 1995	10,000,000 shares	100%	–	Construction site foundation engineering and bore pile pre-drilling works
Chung Shun Boring Engineering Company Limited	Hong Kong	14 December 1995	700,000 shares	100%	–	Ground investigation works
Wan Kei Machinery Company Limited	Hong Kong	27 May 1998	100 shares	100%	–	Machinery leasing
Wan Kei (Macau) Civil and Foundation Construction Company Limited <sup>2</sup>	Macau	10 December 2004	2 shares of MOP14,000 each	100%	–	Construction site foundation engineering and bore pile pre-drilling works

The following list contains details of the companies in the Financial Information that are subject to audit during the Relevant Periods and the name of the respective auditors.

Name of company	Financial period	Statutory auditors
Wan Kei Geotechnical Engineering Company Limited	For the years ended 31 March 2013 and 2014 <sup>3</sup>	T. K. Lam (C.P.A.) Company Limited
Chung Shun Boring Engineering Company Limited	For the years ended 31 March 2013 and 2014	T. K. Lam (C.P.A.) Company Limited
	For the year ended 31 March 2015	Mr. Lai Yiu Hong
Wan Kei Machinery Company Limited	For the year ended 31 March 2013	T. K. Lam (C.P.A.) Company Limited
	For the year ended 31 March 2014 <sup>3</sup>	Mr. Lai Yiu Hong

*Notes:*

1. No statutory financial statements have been prepared for Hong Kong Wan Wai Company Limited as it has not carried on any business since the date of incorporation and is an investment holding company which is not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.
2. No statutory financial statements have been prepared for Wan Kei (Macau) Civil and Foundation Construction Company Limited as it is not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.
3. The statutory financial statements of these companies for the year ended 31 March 2015 were not available as of the date of this report.

**(c) Basis of measurement and use of estimates and judgements**

The Financial Information are presented in Hong Kong dollars. The measurement basis used in the preparation of the Financial Information is the historical cost basis.

The preparation of the Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 2.

**(d) Business combinations****(i) Business combinations involving enterprises under common control**

A business combination involving enterprises under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities obtained are measured at the carrying amounts as recorded by the entity being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to equity. The combination date is the date on which one combining entity effectively obtains control of the other combining entities.

**(ii) Business combinations involving entities not under common control**

A business combination involving entities not under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the business combination.

The acquirer, at the acquisition date, allocates the cost of the business combination by recognising the acquiree's identifiable assets, liabilities and contingent liabilities at their fair value at that date.

(e) *Subsidiaries and non-controlling interests*

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights are considered.

An investment in a subsidiary is included in the Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the combined statements of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the combined statements of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and other contractual obligation towards these holders are presented as financial liabilities in the combined statements of financial position in accordance with notes 1(m) or (n) depending on the nature of the liability.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in the former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as fair value on initial recognition of a financial asset. The fair value is the transaction price unless fair value can be more reliably estimated using valuation technique whose variables include only data from observable markets. Cost includes attributable transaction costs.

(f) *Fixed assets*

Fixed assets is stated at cost less accumulated depreciation and impairment losses (see note 1(i)).

Gains or losses arising from the retirement or disposal of an item of fixed assets are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

– Furniture and fixtures	5 years
– Leasehold improvements	5 years
– Motor vehicles	5 years
– Machinery	4-5 years

Where parts of an item of fixed assets have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

*(g) Club memberships*

Club memberships are stated in the statements of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 1(i)).

Amortisation of club memberships with finite useful life is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. Both the period and method of amortisation are reviewed annually.

Club memberships are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set above.

*(h) Leased assets*

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

*(i) Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

*(ii) Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(f). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(i). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

*(iii) Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.



(i) *Impairment of assets*

(i) *Impairment of trade and other receivables*

Trade and other current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) *Impairment of other assets*

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that fixed assets and club memberships may be impaired or, an impairment loss previously recognised no longer exists or may have decreased.

If any such indication exists, the asset's recoverable amount is estimated.

- Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash

inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

**(j) Construction contracts**

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 1(s)(i). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statements of financial position as the "Gross amounts due from customers for contract work" (as an asset) or the "Gross amounts due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade and other receivables". Amounts received before the related work is performed are included under "Trade and other payables".

**(k) Ground investigation services contracts**

Contract revenue on rendering of ground investigation services comprises the contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services and attributable overheads. The accounting policy for service revenue is set out in note 1(s)(ii). When the outcome of a service contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a service contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Service contracts in progress at the end of the reporting period are recorded at the net amount of costs incurred plus recognised profit less recognised losses and progress billings, and are presented in the statements of financial position as the "Gross amounts due from customers for contract work" (as an asset) or the "Gross amounts due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customer are included under "Trade and other receivables". Amounts received before the related work is performed are included under "Trade and other payables".

*(l) Trade and other receivables*

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 1(i)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

*(m) Interest-bearing borrowings*

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

*(n) Trade and other payables*

Trade and other payables are initially recognised at fair value. Trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

*(o) Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the combined cash flow statements.

*(p) Employee benefits*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

*(q) Income tax*

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities and all deferred tax assets, to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable

temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

*(r) Provisions and contingent liabilities*

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

*(s) Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

*(i) Construction contract revenue*

Revenue from construction contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established according to the progress payment application (by reference to the amount of completed works confirmed by in-house surveyor) submitted to the customers.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that they have been agreed with the customer or the outcome of which can be estimated reliably by management and are capable of being reliably measured.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

*(ii) Ground investigation services revenue*

Revenue from ground investigation services is recognised based on the stage of completion of the service contracts, provided that the stage of service contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a service contract is established according to progress certificates issued by customers.

Variations in contract work, claims and incentive payments are included in service contract revenue to the extent that they have been agreed with the customer or the outcome of which can be estimated reliably by management and are capable of being reliably measured.

When the outcome of a service contract cannot be estimated reliably, revenue is recognised only to the extent of service contract costs incurred that it is probable will be recoverable.

(iii) *Rental income from lease of machinery*

Rental income receivable from lease of machinery is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

(t) *Translation of foreign currencies*

Foreign currency transactions during the periods are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

(u) *Borrowing costs*

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(v) *Related parties*

(1) A person, or a close member of that person's family, is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or the Group's parent.

(2) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
- (vi) The entity is controlled or jointly controlled by a person identified in (1).

- (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

**(w) Segment reporting**

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

No geographic information is shown as the revenue and profit from operations of the Group are primarily derived from its activities in Hong Kong.

**2 Accounting judgements and estimates**

**(a) Critical accounting judgements in applying the Group's accounting policies**

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

**(i) Depreciation of fixed assets**

Fixed assets are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the fixed assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

**(ii) Impairment of trade receivables**

The Group evaluates whether there is any objective evidence that trade receivables are impaired, and estimates allowances for doubtful debts as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the trade receivables balance, credit-worthiness of the customer and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

**(b) Sources of estimation uncertainty**

*Construction contracts and ground investigation service contracts*

As explained in policy notes 1(j), 1(k), 1(s)(i) and 1(s)(ii), revenue recognition on a project is dependent on management's estimation of the total outcome of the construction and service contracts, with reference to the progress payment applications submitted by the Company and progress certificates issued by customers respectively. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders, prepared for each construction and service contract as the contract progresses. Budgeted construction and service costs are prepared by management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors

involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgeted construction and service costs by comparing the budgeted amounts to the actual costs incurred.

Significant judgement is required in estimating the contract revenue, contract costs and variation work which may have an impact on percentage of completion of the construction and service contracts and the corresponding profit taken.

Management base their judgements of contract costs and revenues on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which span more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties that depend on the outcome of future events and often need to be revised as events unfold and uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of payments and the age and recoverability of any unagreed income from variations to the contract scope or claims. The impact of the changes in accounting estimates is then reflected in the ongoing results.

### 3 Turnover and segment reporting

#### (a) Turnover

The principal activities of the Group are foundation construction and ground investigation.

Turnover represents revenue from construction contracts and from ground investigation services. The amount of each significant category of revenue recognised in turnover during the Relevant Periods is as follows:

	Year ended 31 March		
	2013 HK\$	2014 HK\$	2015 HK\$
Revenue from construction contracts	221,565,065	290,999,459	363,070,059
Revenue from ground investigation services	<u>33,546,464</u>	<u>34,455,164</u>	<u>45,057,665</u>
	<u>255,111,529</u>	<u>325,454,623</u>	<u>408,127,724</u>

For the years ended 31 March 2013, 2014 and 2015, there were 4, 2 and 5 customers which individually contributed over 10% of the Group's revenue, respectively. The aggregate amount of revenue from these customers amounted to 63%, 57% and 66% of the Group's total revenue, respectively.

#### (b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which information is reported internally to the Group's senior management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

- Foundation construction: this segment provides foundation construction work to customers in Hong Kong.
- Ground investigation services: this segment provides ground investigation services to customers in Hong Kong.

Segment information is presented only in respect of the Group's business segments. No geographical analysis is shown as less than 10% of the Group's revenue, profit from operations and assets were derived from activities outside Hong Kong.

(i) *Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all current and non-current assets with the exception of current tax recoverable and deferred tax assets (if any). Segment liabilities include all current and non-current liabilities with the exception of current tax payable and deferred tax liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation of assets attributable to those segments. The measure used for reporting segment profit is net profit before taxation.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the Relevant Periods is set out below:

	Year ended 31 March 2013		
	Foundation construction HK\$	Ground investigation services HK\$	Total HK\$
Revenue from external customers	<u>221,565,065</u>	<u>33,546,464</u>	<u>255,111,529</u>
<b>Reportable segment revenue</b>	<b><u>221,565,065</u></b>	<b><u>33,546,464</u></b>	<b><u>255,111,529</u></b>
<b>Reportable segment profit</b>	<b><u>46,517,361</u></b>	<b><u>1,042,156</u></b>	<b><u>47,559,517</u></b>
Interest expense	(218,825)	(26,054)	(244,879)
Depreciation and amortisation for the year	(10,899,239)	(486,220)	(11,385,459)
<b>Reportable segment assets</b>	170,625,162	17,848,258	188,473,420
Fixed assets	43,204,895	1,574,111	44,779,006
Trade and other receivables	61,403,889	3,348,123	64,752,012
Additions to non-current segment assets during the year	32,951,327	438,164	33,389,491
<b>Reportable segment liabilities</b>	59,814,888	10,276,539	70,091,427
Finance leases payable	13,197,971	218,598	13,416,569
Trade and other payables	<u>34,244,083</u>	<u>8,831,940</u>	<u>43,076,023</u>



	Year ended 31 March 2014		
	Foundation	Ground	Total
	construction	investigation	
	HK\$	services	HK\$
Revenue from external customers	290,999,459	34,455,164	325,454,623
<b>Reportable segment revenue</b>	<b>290,999,459</b>	<b>34,455,164</b>	<b>325,454,623</b>
<b>Reportable segment profit</b>	<b>44,761,900</b>	<b>3,017,634</b>	<b>47,779,534</b>
Interest expense	(734,034)	(8,427)	(742,461)
Depreciation and amortisation for the year	(17,713,701)	(535,032)	(18,248,733)
<b>Reportable segment assets</b>	<b>228,012,469</b>	<b>22,604,687</b>	<b>250,617,156</b>
Fixed assets	56,995,445	2,495,105	59,490,550
Trade and other receivables	54,039,088	7,137,810	61,176,898
Additions to non-current segment assets during the year	29,507,796	1,896,594	31,404,390
<b>Reportable segment liabilities</b>	<b>83,541,029</b>	<b>13,071,214</b>	<b>96,612,243</b>
Finance leases payable	20,104,960	1,443,717	21,548,677
Trade and other payables	43,897,915	9,844,562	53,742,477
	Year ended 31 March 2015		
	Foundation	Ground	Total
	construction	investigation	
	HK\$	services	HK\$
Revenue from external customers	363,070,059	45,057,665	408,127,724
<b>Reportable segment revenue</b>	<b>363,070,059</b>	<b>45,057,665</b>	<b>408,127,724</b>
<b>Reportable segment profit</b>	<b>70,934,908</b>	<b>7,321,170</b>	<b>78,256,078</b>
Interest expense	600,377	41,680	642,057
Depreciation and amortisation for the year	19,544,114	634,936	20,179,050
<b>Reportable segment assets</b>	<b>241,742,144</b>	<b>25,162,963</b>	<b>266,905,107</b>
Fixed assets	42,313,930	2,025,350	44,339,280
Trade and other receivables	78,785,704	11,359,682	90,145,386
Additions to non-current segment assets during the year	5,119,142	165,181	5,284,323
<b>Reportable segment liabilities</b>	<b>106,333,514</b>	<b>11,574,092</b>	<b>117,907,606</b>
Finance leases payable	12,136,063	261,665	12,397,728
Trade and other payables	20,356,897	7,161,417	27,518,314

## (ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	Year ended 31 March		
	2013 HK\$	2014 HK\$	2015 HK\$
<b>Revenue</b>			
Reportable segment revenue and combined turnover (note 3(a))	<u>255,111,529</u>	<u>325,454,623</u>	<u>408,127,724</u>
<b>Profit</b>			
Reportable segment profit	47,559,517	47,779,534	78,256,078
Elimination of inter-segment profits	<u>–</u>	<u>(500,000)</u>	<u>(1,500,000)</u>
Combined profit before taxation	<u>47,559,517</u>	<u>47,279,534</u>	<u>76,756,078</u>
	At 31 March		
	2013 HK\$	2014 HK\$	2015 HK\$
<b>Assets</b>			
Reportable segment assets	188,473,420	250,617,156	266,905,107
Elimination of inter-segment receivables	<u>(199,545)</u>	<u>(792,236)</u>	<u>(1,823,829)</u>
	188,273,875	249,824,920	265,081,278
Tax recoverable	238,979	–	7,089,782
Deferred tax assets	<u>33,976</u>	<u>137,600</u>	<u>149,150</u>
Combined total assets	<u>188,546,830</u>	<u>249,962,520</u>	<u>272,320,210</u>
<b>Liabilities</b>			
Reportable segment liabilities	70,091,427	96,612,243	117,907,606
Elimination of inter-segment payables	<u>(199,545)</u>	<u>(792,236)</u>	<u>(1,823,829)</u>
	69,891,882	95,820,007	116,083,777
Current tax liabilities	5,439,550	4,421,746	4,245,708
Deferred tax liabilities	<u>3,420,812</u>	<u>4,932,355</u>	<u>4,896,076</u>
Combined total liabilities	<u>78,752,244</u>	<u>105,174,108</u>	<u>125,225,561</u>
<b>4 Other revenue</b>			
	Year ended 31 March		
	2013 HK\$	2014 HK\$	2015 HK\$
Rental income from lease of machinery	107,000	2,002,522	1,060,162
Others	<u>62,202</u>	<u>63,920</u>	<u>615,271</u>
	<u>169,202</u>	<u>2,066,442</u>	<u>1,675,433</u>

## 5 Other net income

	Year ended 31 March		
	2013	2014	2015
	HK\$	HK\$	HK\$
Gain on disposal of fixed assets	600,000	144,433	800,000
Others	9,175	2,054	40,073
	<u>609,175</u>	<u>146,487</u>	<u>840,073</u>

## 6 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

	Year ended 31 March		
	2013	2014	2015
	HK\$	HK\$	HK\$
<b>(a) Finance costs</b>			
Interest on bank borrowings wholly repayable within five years	46,759	1,690	–
Finance charges on obligations under finance leases	198,120	740,771	642,057
	<u>244,879</u>	<u>742,461</u>	<u>642,057</u>
<b>(b) Staff costs (including directors' remuneration)</b>			
Contributions to defined contribution retirement plans	1,592,278	1,853,885	2,220,854
Salaries, wages and other benefits	43,089,967	56,671,524	65,361,876
	44,682,245	58,525,409	67,582,730
Add/(less): Amount included in gross amounts due from/(to) customers for contract work	773,947	(428,904)	29,470
	<u>45,456,192</u>	<u>58,096,505</u>	<u>67,612,200</u>
<b>(c) Other items</b>			
Depreciation	10,937,397	19,124,279	20,385,593
(Less)/add: Amount included in gross amounts due from/(to) customers for contract work	448,062	(875,546)	(206,543)
	11,385,459	18,248,733	20,179,050
Operating lease charges			
– hire of machinery	16,238,283	25,747,475	19,355,568
– hire of properties	1,689,080	1,736,560	1,795,130
Auditors' remuneration	173,000	245,000	245,000
	<u>11,385,459</u>	<u>18,248,733</u>	<u>20,179,050</u>

## 7 Income tax

(a) *Income tax in the combined statements of profit or loss and comprehensive income represents:*

	Year ended 31 March		
	2013	2014	2015
	HK\$	HK\$	HK\$
<b>Current tax</b>			
Provision for Hong Kong Profits Tax for the year	6,815,551	6,377,789	14,497,670
<b>Deferred tax</b>			
Origination and reversal of temporary differences	998,060	1,407,919	(47,829)
	<u>7,813,611</u>	<u>7,785,708</u>	<u>14,449,841</u>

*Notes:*

- (i) Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.
- (ii) The provision for Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the Relevant Periods.
- (iii) No provision for Macau Complementary Tax has been made in the Financial Information as the Group did not earn any income subject to Macau Complementary Tax for the Relevant Periods.

(b) *Reconciliation between income tax expense and accounting profit before taxation at applicable tax rates:*

	Year ended 31 March		
	2013	2014	2015
	HK\$	HK\$	HK\$
Profit before taxation	<u>47,559,517</u>	<u>47,279,534</u>	<u>76,756,078</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	7,847,320	7,801,123	12,673,816
Effect of non-deductible expenses	16,074	263,641	2,006,770
Effect of non-taxable income	(29,783)	(259,056)	(192,829)
Statutory tax concession	(20,000)	(20,000)	(60,000)
Others	—	—	22,084
Actual tax expense	<u>7,813,611</u>	<u>7,785,708</u>	<u>14,449,841</u>

(c) *Income tax in the combined statements of financial position represents:*(i) *Current taxation*

	At 31 March		
	2013	2014	2015
	HK\$	HK\$	HK\$
Provision for Hong Kong Profits Tax for the year	6,815,551	6,377,789	14,497,670
Provisional Profits Tax paid	<u>(2,621,043)</u>	<u>(4,881,064)</u>	<u>(20,211,893)</u>
	4,194,508	1,496,725	(5,714,223)
Balance of Hong Kong Profits Tax provision relating to prior years	1,006,063	2,925,021	164,741
Provision for overseas tax ( <i>note</i> )	<u>–</u>	<u>–</u>	<u>2,705,408</u>
	<u>5,200,571</u>	<u>4,421,746</u>	<u>(2,844,074)</u>
Representing:			
Tax recoverable	(238,979)	–	(7,089,782)
Tax payable	<u>5,439,550</u>	<u>4,421,746</u>	<u>4,245,708</u>
	<u>5,200,571</u>	<u>4,421,746</u>	<u>(2,844,074)</u>

*Note:* Overseas tax represents Complementary Tax payable in Macau by a subsidiary, in respect of the income earned before it was acquired by the Group (see note 23).

(ii) *Deferred tax assets and liabilities recognised*

The components of deferred tax assets and liabilities recognised in the combined statements of financial position and the movements during the Relevant Periods are as follows:

Deferred tax arising from:	Depreciation allowances in excess of the related depreciation HK\$	Tax losses HK\$	Others HK\$	Total HK\$
At 1 April 2012	(2,406,896)	19,785	(1,665)	(2,388,776)
(Charged)/credited to profit or loss	<u>(1,834,954)</u>	<u>801,253</u>	<u>35,641</u>	<u>(998,060)</u>
At 31 March 2013 and 1 April 2013	(4,241,850)	821,038	33,976	(3,386,836)
(Charged)/credited to profit or loss	<u>(1,541,893)</u>	<u>30,350</u>	<u>103,624</u>	<u>(1,407,919)</u>
At 31 March 2014 and 1 April 2014	(5,783,743)	851,388	137,600	(4,794,755)
Credited/(charged) to profit or loss	<u>887,667</u>	<u>(851,388)</u>	<u>11,550</u>	<u>47,829</u>
At 31 March 2015	<u>(4,896,076)</u>	<u>–</u>	<u>149,150</u>	<u>(4,746,926)</u>

Reconciliation to the combined statements of financial position is as follows:

	At 31 March		
	2013	2014	2015
	HK\$	HK\$	HK\$
Net deferred tax asset recognised in the combined statements of financial position	33,976	137,600	149,150
Net deferred tax liability recognised in the combined statements of financial position	<u>(3,420,812)</u>	<u>(4,932,355)</u>	<u>(4,896,076)</u>
	<u>(3,386,836)</u>	<u>(4,794,755)</u>	<u>(4,746,926)</u>

(d) *There were no material unrecognised deferred tax assets as at 31 March 2013, 2014 and 2015.*

## 8 Directors' remuneration

Directors' remuneration during the Relevant Periods which was included in the staff costs as disclosed in note 6(b) is as follows:

	Year ended 31 March 2013			Total HK\$
	Discretionary bonus HK\$	Salaries, allowances and benefits in kind HK\$	Retirement scheme contributions HK\$	
<b>Executive Directors</b>				
Mr. Lau Woon Si (i)	375,000	910,000	–	1,285,000
Mr. Fong Hon Hung (ii)	270,000	850,000	14,500	1,134,500
Mr. Lau Chi Hing (ii)	270,000	850,000	14,500	1,134,500
Mr. Lau Chi Shing (ii)	–	71,429	2,321	73,750
Mr. Leung Man Lun Stephen (iii)	<u>270,000</u>	<u>850,000</u>	<u>14,500</u>	<u>1,134,500</u>
Total	<u>1,185,000</u>	<u>3,531,429</u>	<u>45,821</u>	<u>4,762,250</u>

	Year ended 31 March 2014			Total HK\$
	Discretionary bonus HK\$	Salaries, allowances and benefits in kind HK\$	Retirement scheme contributions HK\$	
<b>Executive Directors</b>				
Mr. Lau Woon Si (i)	450,000	1,180,000	–	1,630,000
Mr. Fong Hon Hung (ii)	345,000	1,120,000	15,000	1,480,000
Mr. Lau Chi Hing (ii)	345,000	1,120,000	15,000	1,480,000
Mr. Lau Chi Shing (ii)	150,000	760,000	15,000	925,000
Mr. Leung Man Lun Stephen (iii)	<u>345,000</u>	<u>1,120,000</u>	<u>7,500</u>	<u>1,472,500</u>
Total	<u>1,635,000</u>	<u>5,300,000</u>	<u>52,500</u>	<u>6,987,500</u>

	Year ended 31 March 2015			Total HK\$
	Discretionary bonus HK\$	Salaries, allowances and benefits in kind HK\$	Retirement scheme contributions HK\$	
<b>Executive Directors</b>				
Mr. Lau Woon Si (i)	400,000	1,704,000	–	2,104,000
Mr. Fong Hon Hung (ii)	300,000	1,595,167	17,500	1,912,667
Mr. Lau Chi Hing (ii)	300,000	1,618,167	17,500	1,935,667
Mr. Lau Chi Shing (ii)	220,000	982,051	17,500	1,219,551
Mr. Leung Man Lun Stephen (iii)	300,000	1,370,000	–	1,670,000
Total	<u>1,520,000</u>	<u>7,269,385</u>	<u>52,500</u>	<u>8,841,885</u>

*Notes:*

- (i) During the Relevant Periods, remuneration of Mr. Lau Woon Si was paid by Wan Kei Engineering for his services as a business consultant.
- (ii) During the Relevant Periods, remuneration of Mr. Fong Hon Hung, Mr. Lau Chi Hing and Mr. Lau Chi Shing were paid by Wan Kei Engineering for their directorship in this company.
- (iii) During the Relevant Periods, remuneration of Mr. Leung Man Lun Stephen was paid by Chung Shun for his directorship in this company.
- (iv) No director received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office during the Relevant Periods. No director waived or agreed to waive any emoluments during the Relevant Periods.
- (v) The Company did not have any share option scheme for the purchase of ordinary shares in the Company during the Relevant Periods.

**9 Emoluments of five highest paid individuals**

Of the five highest paid individuals of the Group during the Relevant Periods, four of these are directors for the years ended 31 March 2013, 2014 and 2015 respectively, whose emoluments are disclosed in note 8. The emoluments in respect of the remaining individual are as follows:

	Year ended 31 March		
	2013 HK\$	2014 HK\$	2015 HK\$
Salaries, allowances and benefits in kind	726,000	974,000	1,201,000
Discretionary bonuses	260,000	333,000	260,000
Retirement scheme contributions	<u>14,500</u>	<u>15,000</u>	<u>17,500</u>
	<u>1,000,500</u>	<u>1,322,000</u>	<u>1,478,500</u>

**10 Dividends**

During the year ended 31 March 2014, the Group's subsidiaries namely Wan Kei Engineering, Wan Kei Machinery and Chung Shun, declared and paid dividends in cash totalling HK\$4,500,000 to their then equity shareholders, Chung Hang Enterprise Holdings Limited, Gold Crown Consultants Limited and Mr. Leung Man Lun Stephen and the non-controlling shareholder of Chung Shun.

During the year ended 31 March 2015, Wan Kei Engineering and Chung Shun declared interim dividends of HK\$57,000,000 and HK\$3,000,000 respectively. The dividends of HK\$57,000,000 and HK\$3,000,000 were paid in cash on 27 April 2015 and 28 April 2015 respectively to their then equity shareholders, Suntecli Company Limited, Samwood Global Limited and Mr. Leung Man Lun Stephen and the non-controlling shareholder of Chung Shun.

**11 Earnings per share**

Earnings per share information is not presented as its inclusion for the purpose of this Financial Information is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Relevant Periods on a combined basis as disclosed in note 1(b) of Section B above.



## 12 Fixed assets

	Machinery HK\$	Leasehold improvements HK\$	Furniture and fixtures HK\$	Motor vehicles HK\$	Total HK\$
<b>Cost:</b>					
At 1 April 2012	59,659,045	395,880	934,489	2,914,215	63,903,629
Additions	30,802,463	–	98,540	–	30,901,003
Disposals	(370,000)	–	–	–	(370,000)
At 31 March 2013	<u>90,091,508</u>	<u>395,880</u>	<u>1,033,029</u>	<u>2,914,215</u>	<u>94,434,632</u>
At 1 April 2013	90,091,508	395,880	1,033,029	2,914,215	94,434,632
Additions	31,178,481	–	124,327	2,973,582	34,276,390
Disposals	(152,877)	–	(262,902)	(1,443,052)	(1,858,831)
At 31 March 2014	<u>121,117,112</u>	<u>395,880</u>	<u>894,454</u>	<u>4,444,745</u>	<u>126,852,191</u>
At 1 April 2014	121,117,112	395,880	894,454	4,444,745	126,852,191
Additions	5,110,392	–	123,931	–	5,234,323
Disposals	(651,000)	–	–	–	(651,000)
At 31 March 2015	<u>125,576,504</u>	<u>395,880</u>	<u>1,018,385</u>	<u>4,444,745</u>	<u>131,435,514</u>
<b>Accumulated depreciation:</b>					
At 1 April 2012	37,032,411	98,970	434,302	1,522,546	39,088,229
Charge for the year	10,224,477	79,176	171,007	462,737	10,937,397
Written back on disposals	(370,000)	–	–	–	(370,000)
At 31 March 2013	<u>46,886,888</u>	<u>178,146</u>	<u>605,309</u>	<u>1,985,283</u>	<u>49,655,626</u>
At 1 April 2013	46,886,888	178,146	605,309	1,985,283	49,655,626
Charge for the year	18,354,331	79,176	149,079	541,693	19,124,279
Written back on disposals	(141,786)	–	(253,309)	(1,023,169)	(1,418,264)
At 31 March 2014	<u>65,099,433</u>	<u>257,322</u>	<u>501,079</u>	<u>1,503,807</u>	<u>67,361,641</u>
At 1 April 2014	65,099,433	257,322	501,079	1,503,807	67,361,641
Charge for the year	19,403,712	79,176	174,115	728,590	20,385,593
Written back on disposals	(651,000)	–	–	–	(651,000)
At 31 March 2015	<u>83,852,145</u>	<u>336,498</u>	<u>675,194</u>	<u>2,232,397</u>	<u>87,096,234</u>
<b>Net book value:</b>					
At 31 March 2013	<u>43,204,620</u>	<u>217,734</u>	<u>427,720</u>	<u>928,932</u>	<u>44,779,006</u>
At 31 March 2014	<u>56,017,679</u>	<u>138,558</u>	<u>393,375</u>	<u>2,940,938</u>	<u>59,490,550</u>
At 31 March 2015	<u>41,724,359</u>	<u>59,382</u>	<u>343,191</u>	<u>2,212,348</u>	<u>44,339,280</u>

*(a) Fixed assets held under finance leases*

Certain machinery was held under finance leases and their net book value is analysed as follows:

	At 31 March		
	2013 HK\$	2014 HK\$	2015 HK\$
Cost – Capitalised finance lease	26,256,598	39,533,110	42,022,528
Accumulated depreciation	<u>(4,530,105)</u>	<u>(9,363,208)</u>	<u>(18,265,963)</u>
Net book value	<u>21,726,493</u>	<u>30,169,902</u>	<u>23,756,565</u>

During the years ended 31 March 2013, 2014 and 2015, additions to machinery and motor vehicles of the Group financed by new finance leases were HK\$16,741,428, HK\$22,791,682 and HK\$4,320,000 respectively.

**13 Gross amounts due from/to customers for contract work**

	At 31 March		
	2013 HK\$	2014 HK\$	2015 HK\$
<b>Gross amounts due from customers for contract work</b>			
Contract costs incurred plus recognised profits less recognised losses	379,694,334	376,351,315	363,329,419
Less: Progress billings received and receivable	<u>(321,134,792)</u>	<u>(322,668,322)</u>	<u>(308,138,424)</u>
	<u>58,559,542</u>	<u>53,682,993</u>	<u>55,190,995</u>
<b>Gross amounts due to customers for contract work</b>			
Progress billings received and receivable	122,951,836	274,791,733	367,725,871
Less: Contract costs incurred plus recognised profits less recognised losses	<u>(130,292,060)</u>	<u>(293,492,854)</u>	<u>(383,032,212)</u>
	<u>(7,340,224)</u>	<u>(18,701,121)</u>	<u>(15,306,341)</u>

**14 Trade and other receivables**

	At 31 March		
	2013 HK\$	2014 HK\$	2015 HK\$
Trade debtors	35,647,012	14,959,094	24,331,349
Deposits, prepayments and other receivables ( <i>note (i)</i> )	2,952,249	5,679,656	13,167,222
Retention receivables ( <i>note (ii)</i> )	<u>26,152,751</u>	<u>40,538,148</u>	<u>52,646,815</u>
	<u>64,752,012</u>	<u>61,176,898</u>	<u>90,145,386</u>

*Notes:*

- (i) Except for the amounts of HK\$161,000, HK\$275,055 and HK\$20,000 as at 31 March 2013, 2014 and 2015 respectively, which are expected to be recovered after one year, all of the remaining balances are expected to be recovered within one year.
- (ii) Except for the amounts of HK\$10,131,924, HK\$14,207,014 and HK\$22,424,971 as at 31 March 2013, 2014 and 2015 respectively, which are expected to be recovered after one year, all of the remaining balances are expected to be recovered within one year.

**(a) Ageing analysis**

At 31 March 2013, 2014 and 2015, the ageing analysis of trade debtors (which are included in trade and other receivables), based on the date of progress certificates issued by customers and net of allowance for doubtful debts, is as follows:

	<b>At 31 March</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Within 1 month	17,865,722	11,391,801	22,116,303
1 to 2 months	10,153,310	3,285,141	506,700
2 to 3 months	1,132,000	282,152	–
Over 3 months	<u>6,495,980</u>	<u>–</u>	<u>1,708,346</u>
	<u>35,647,012</u>	<u>14,959,094</u>	<u>24,331,349</u>

Trade debtors are normally due within 30 to 50 days from the payment application date or 0 to 60 days from the certificate date. Further details on the Group's credit policy are set out in note 20(a).

**(b) Impairment of trade debtors**

Impairment losses in respect of trade debtors are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors directly (see note 1(i)(i)).

At 31 March 2013, 2014 and 2015, none of the trade debtors was individually determined to be impaired.

**(c) Trade debtors that are not impaired**

The ageing analysis of trade debtors that are neither individually nor collectively considered to be impaired are as follows:

	<b>At 31 March</b>		
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Neither past due nor impaired	12,518,303	3,483,108	14,071,952
Less than 1 month past due	13,344,177	11,193,834	8,551,051
1 to 3 months past due	5,808,039	282,152	–
Over 3 months past due	<u>3,976,493</u>	<u>–</u>	<u>1,708,346</u>
	<u>35,647,012</u>	<u>14,959,094</u>	<u>24,331,349</u>

Receivables which were neither past due nor impaired related to a range of customers for whom there was no recent history of default.

Receivables which were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

## 15 Cash and cash equivalents

### (a) Cash and cash equivalents comprise:

	At 31 March		
	2013	2014	2015
	HK\$	HK\$	HK\$
Cash at banks and in hand	16,151,145	66,049,272	74,955,617

### (b) Reconciliation of profit before taxation to cash generated from operations:

	Note	Year ended 31 March		
		2013	2014	2015
		HK\$	HK\$	HK\$
<b>Operating activities</b>				
Profit before taxation		47,559,517	47,279,534	76,756,078
Adjustments for:				
Finance costs	6(a)	244,879	742,461	642,057
Depreciation	6(c)	10,937,397	19,124,279	20,385,593
Interest income		(503)	(3)	(32,000)
Gain on disposal of fixed assets	5	(600,000)	(144,433)	(800,000)
Changes in working capital:				
(Increase)/decrease in trade and other receivables		(28,886,397)	3,645,114	(20,189,461)
Decrease in gross amounts due from customers for contract work		7,775,232	4,876,549	404,995
(Increase)/decrease in amounts due from related parties		(384,757)	(1,464,845)	874,600
(Decrease)/increase in trade and other payables		(717,194)	9,889,454	(25,855,532)
Increase/(decrease) in gross amounts due to customers for contract work		2,547,918	11,360,897	(3,394,780)
Decrease in amounts due to related parties		(2,136,086)	(2,535,597)	(1,493,643)
Increase/(decrease) in provision for long service payment		89,495	(96,208)	527,305
<b>Cash generated from operations</b>		<u>36,429,501</u>	<u>92,677,202</u>	<u>47,825,212</u>

## 16 Trade and other payables

	At 31 March		
	2013 HK\$	2014 HK\$	2015 HK\$
Trade payables	34,442,470	44,466,596	21,546,284
Retention payables ( <i>note (ii)</i> )	2,111,077	2,269,408	1,952,147
Fixed assets payables	773,000	1,550,000	–
Other payables and accruals	<u>5,749,476</u>	<u>5,456,473</u>	<u>4,019,883</u>
	<u>43,076,023</u>	<u>53,742,477</u>	<u>27,518,314</u>

## Notes:

- (i) Save as disclosed in note 16(ii) below, all trade and other payables are expected to be settled within one year.
- (ii) Except for the amounts of HK\$1,018,695, HK\$1,283,026 and HK\$390,219 as at 31 March 2013, 2014 and 2015 respectively, all of the remaining balances are expected to be settled within one year.
- (iii) An ageing analysis of trade payables based on the invoice date is as follows:

	At 31 March		
	2013 HK\$	2014 HK\$	2015 HK\$
Within 1 month	15,384,131	20,821,241	11,387,634
1 to 2 months	11,323,010	13,428,448	3,869,230
2 to 3 months	1,338,664	994,163	1,007,988
Over 3 months	<u>6,396,665</u>	<u>9,222,744</u>	<u>5,281,432</u>
	<u>34,442,470</u>	<u>44,466,596</u>	<u>21,546,284</u>

## 17 Bank loans

At 31 March 2013, 2014 and 2015, the bank loans were repayable as follows:

	At 31 March		
	2013 HK\$	2014 HK\$	2015 HK\$
Within 1 year or on demand	<u>185,716</u>	<u>–</u>	<u>–</u>

At 31 March 2013, 2014 and 2015, the bank loans were secured as follows:

	At 31 March		
	2013 HK\$	2014 HK\$	2015 HK\$
Bank loans – secured	<u>185,716</u>	<u>–</u>	<u>–</u>

The bank loans bear interest at 2.75% per annum for the year ended 31 March 2013.

**18 Obligations under finance leases**

At 31 March 2013, 2014 and 2015, the Group had obligations under finance leases repayable as follows:

	2013		At 31 March 2014		2015	
	Present value of the minimum lease payments HK\$	Total minimum lease payments HK\$	Present value of the minimum lease payments HK\$	Total minimum lease payments HK\$	Present value of the minimum lease payments HK\$	Total minimum lease payments HK\$
Within 1 year	6,702,619	7,063,105	11,345,989	11,973,722	9,197,146	9,495,754
After 1 year but within 2 years	4,100,095	4,260,424	7,951,102	8,187,212	3,144,901	3,182,900
After 2 years but within 5 years	2,613,855	2,656,832	2,251,586	2,277,585	55,681	55,925
	<u>6,713,950</u>	<u>6,917,256</u>	<u>10,202,688</u>	<u>10,464,797</u>	<u>3,200,582</u>	<u>3,238,825</u>
	<u>13,416,569</u>	<u>13,980,361</u>	<u>21,548,677</u>	<u>22,438,519</u>	<u>12,397,728</u>	<u>12,734,579</u>
Less: total future interest expenses		<u>(563,792)</u>		<u>(889,842)</u>		<u>(336,851)</u>
Present value of lease obligations		<u>13,416,569</u>		<u>21,548,677</u>		<u>12,397,728</u>

**19 Capital and reserves****(a) Movement in components of equity**

The reconciliation between the opening and closing balances of each component of the Group's combined equity is set out in the combined statements of changes in equity.

**(b) Share capital**

The Company was incorporated on 7 October 2014 and the Reorganisation of the Group was completed on 9 May 2015. For the purpose of this report, share capital as at 31 March 2013, 2014 and 2015 represents the aggregate share capital of the subsidiaries of the Group which existed at the respective dates.

**(c) Capital management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to fund its construction business and provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to any externally imposed capital requirements.

(d) *Distributable reserves*

The Company was incorporated on 7 October 2014. There were no reserves available for distribution to equity shareholders as at 31 March 2015.

**20 Financial risk management and fair values**

Exposure to credit, liquidity and interest rate risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) *Credit risk*

The Group's credit risk is primarily attributable to bank deposits and trade and other receivables. The Group has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Given their high credit ratings, management does not expect any of these financial institutions and counterparties will fail to meet their obligations.

In respect of trade and other receivables, individual credit evaluations are performed as part of the acceptance procedures for new construction contracts. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 30 to 50 days from the payment application date or 0 to 60 days from the certificate date. Normally, the Group does not obtain collateral from customers.

At the end of the reporting period, the Group has significant concentration of credit risk in a few customers. In view of their credit standing, good payment record and long established relationships with the Group, management does not consider the Group's credit risk to be significant. At 31 March 2013, 2014 and 2015, 49%, 0% and 0% of the total trade debtors was due from the Group's largest customer respectively and 89%, 70% and 37% of the total trade debtors was due from the Group's five largest customers respectively.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 14.

*(b) Liquidity risk*

Individual subsidiaries within the Group are responsible for their own cash management, including the raising of loans to cover the expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed funding lines from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities as at 31 March 2013, 2014 and 2015 of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at 31 March 2013, 2014 and 2015) and the earliest date the Group can be required to pay:

	Carrying amount HK\$	Total contractual undiscounted cash flow HK\$	At 31 March 2013			
			Within 1 year or on demand HK\$	More than 1 year but less than 2 years HK\$	More than 2 years but less than 5 years HK\$	More than 5 years HK\$
Trade and other payables	40,964,946	40,964,946	40,964,946	–	–	–
Retention payables	2,111,077	2,111,077	1,092,382	856,336	162,359	–
Amounts due to related parties	5,443,053	5,443,053	5,443,053	–	–	–
Obligations under finance leases	13,416,569	13,980,361	7,063,105	4,260,424	2,656,832	–
Bank loans	185,716	187,405	187,405	–	–	–
	<u>62,121,361</u>	<u>62,686,842</u>	<u>54,750,891</u>	<u>5,116,760</u>	<u>2,819,191</u>	<u>–</u>
	Carrying amount HK\$	Total contractual undiscounted cash flow HK\$	At 31 March 2014			
	Carrying amount HK\$	Total contractual undiscounted cash flow HK\$	Within 1 year or on demand HK\$	More than 1 year but less than 2 years HK\$	More than 2 years but less than 5 years HK\$	More than 5 years HK\$
Trade and other payables	51,473,069	51,473,069	51,473,069	–	–	–
Retention payables	2,269,408	2,269,408	986,382	821,908	298,759	162,359
Amounts due to related parties	1,493,643	1,493,643	1,493,643	–	–	–
Obligations under finance leases	21,548,677	22,438,519	11,973,722	8,187,212	2,277,585	–
Bank loans	–	–	–	–	–	–
	<u>76,784,797</u>	<u>77,674,639</u>	<u>65,926,816</u>	<u>9,009,120</u>	<u>2,576,344</u>	<u>162,359</u>



	Carrying amount HK\$	Total contractual undiscounted cash flow HK\$	At 31 March 2015			
			Within 1 year or on demand HK\$	More than 1 year but less than 2 years HK\$	More than 2 years but less than 5 years HK\$	More than 5 years HK\$
Trade and other payables	25,566,167	25,566,167	25,566,167	–	–	–
Retention payables	1,952,147	1,952,147	1,561,928	23,750	94,768	271,701
Dividend payable	60,000,000	60,000,000	60,000,000	–	–	–
Amounts due to related parties	–	–	–	–	–	–
Obligations under finance leases	12,397,728	12,734,579	9,495,754	3,182,900	55,925	–
Bank loans	–	–	–	–	–	–
	<u>99,916,042</u>	<u>100,252,893</u>	<u>96,623,849</u>	<u>3,206,650</u>	<u>150,693</u>	<u>271,701</u>

(c) *Interest rate risk*

The Group's interest rate risk arises primarily from bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. The Group normally borrows short-term bank loans which have short-term maturity within one year in order to limit its exposure to interest rate risk. The Group's interest rate profile as monitored by management is set out in (i) below.

The interest rates and terms of repayment of interest-bearing borrowings of the Group are disclosed in note 17 to the Financial Information.

(i) *Interest rate profile*

The following table details the interest rate profile of the Group's borrowings.

	2013		At 31 March 2014		2015	
	Effective interest rate %	Amount HK\$	Effective interest rate %	Amount HK\$	Effective interest rate %	Amount HK\$
<b>Variable rate borrowings:</b>						
Bank loans	2.75%	<u>185,716</u>	–	<u>–</u>	–	<u>–</u>

(ii) *Sensitivity analysis*

At 31 March 2013, it was estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after taxation and retained profits by approximately HK\$1,551, in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at that date.

*(d) Foreign currency risk*

The Group has no significant exposure to foreign currency risk as substantially all of the Group's transactions are denominated in Hong Kong dollars.

*(e) Fair values measurement*

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values as at 31 March 2013, 2014 and 2015.

**21 Commitments***(a) Capital commitments outstanding at 31 March 2013, 2014 and 2015 not provided for in the Financial Information were as follows:*

	At 31 March		
	2013 HK\$	2014 HK\$	2015 HK\$
Contracted for	6,303,537	–	247,200

*(b) At 31 March 2013, 2014 and 2015, the Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:*

	At 31 March		
	2013 HK\$	2014 HK\$	2015 HK\$
Within 1 year	617,000	1,394,600	1,792,700
After 1 year but within 5 years	–	–	1,470,000
Total	617,000	1,394,600	3,262,700

**22 Material related party transactions**

During the Relevant Periods, the directors are of the view that the following are related parties of the Group:

<b>Name of party</b>	<b>Relationship with the Group</b>
Chung Hang Enterprises Holdings Limited	Controlling shareholder
Gold Crown Consultants Limited	Controlling shareholder
Mr. Leung Man Lun Stephen	Director and controlling shareholder
Mr. Lau Woon Si	Director and controlling shareholder of Chung Hang Enterprises Holdings Limited
Mr. Fong Hon Hung	Director and controlling shareholder of Gold Crown Consultants Limited
Mr. Lau Chi Hing	Director and son of Mr. Lau Woon Si
Mr. Lau Chi Shing	Director and son of Mr. Lau Woon Si
Chung Wah Investment Company Limited	A private company owned by Chung Hang Enterprises Holdings Limited
Wan Kei (Macau) Civil and Foundation Construction Company Limited	A private company co-owned by Mr. Fong Hon Hung and Mr. Lau Chi Hing prior to 5 December 2014
Ms. Yeung Siu Lai	Director and non-controlling shareholder of Chung Shun

**(a) Transactions with key management personnel**

All members of key management personnel are the directors of the Group and their remuneration is disclosed in note 8.

During the year ended 31 March 2015, the Group acquired a subsidiary from two directors of the Group as detailed in note 23.

**(b) Guarantee from related parties**

At 31 March 2013, bank borrowings of HK\$185,716, were jointly guaranteed by Mr. Leung Man Lun Stephen and a non-controlling shareholder of Chung Shun.

At 31 March 2015, obligations under finance leases of HK\$2,716,593 were guaranteed by Mr. Lau Woon Si.

At 31 March 2013, 2014 and 2015, obligations under finance leases of HK\$97,222, HK\$631,725 and HK\$385,978 were guaranteed by Mr. Fong Hon Hung.

At 31 March 2013, 2014 and 2015, obligations under finance leases of HK\$13,100,748, HK\$19,473,235 and HK\$9,033,492 were guaranteed by Mr. Lau Chi Hing and Mr. Lau Woon Si.

At 31 March 2013, 2014 and 2015, obligations under finance leases of HK\$218,599, HK\$1,443,717 and HK\$261,665 were guaranteed by Mr. Leung Man Lun Stephen.

The directors of the Company confirm that all of the outstanding guarantees above will be released before the listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

*(c) Recurring transactions*

	Year ended 31 March		
	2013 HK\$	2014 HK\$	2015 HK\$
Lease of properties from			
– Chung Hang Enterprises Holdings Limited	480,000	480,000	618,000
– Chung Wah Investment Company Limited	<u>1,140,000</u>	<u>1,140,000</u>	<u>1,140,000</u>
	<u>1,620,000</u>	<u>1,620,000</u>	<u>1,758,000</u>
Machinery rental income from			
– Wan Kei (Macau) Civil and Foundation Construction Company Limited	–	<u>1,567,989</u>	<u>1,019,662</u>

*(d) Balances with related parties*

As at 31 March 2013, 2014 and 2015, the Group had the following balances with related parties:

	At 31 March		
	2013 HK\$	2014 HK\$	2015 HK\$
(i) Amounts due from directors			
– Mr. Fong Hon Hung	408,619	307,677	–
– Mr. Lau Chi Hing	141,491	165,703	–
– Mr. Lau Chi Shing	28,000	4,000	–
– Mr. Leung Man Lun Stephen	<u>179,646</u>	<u>179,646</u>	–
	----- 757,756	----- 657,026	----- –
Amount due from a controlling shareholder			
– Chung Hang Enterprises Holdings Limited	----- 2,414	----- –	----- –
Amount due from a related party			
– Wan Kei (Macau) Civil and Foundation Construction Company Limited	----- –	<u>8,368,181</u>	----- –
	<u>760,170</u>	<u>9,025,207</u>	<u>–</u>
(ii) Amount due to a director			
– Mr. Leung Man Lun Stephen	----- 476,764	----- 694,287	----- –
Amount due to a controlling shareholder			
– Chung Hang Enterprises Holdings Limited	----- 3,552,476	----- 799,356	----- –
Amount due to a related party			
– Wan Kei (Macau) Civil and Foundation Construction Company Limited	----- 1,413,813	----- –	----- –
	<u>5,443,053</u>	<u>1,493,643</u>	<u>–</u>

The amounts due from/to related parties are unsecured, interest-free and have no fixed terms of repayment.

**23 Business combination – acquisition of a subsidiary**

On 5 December 2014, the Group acquired a 100% equity interest in Wan Kei (Macau) Civil and Foundation Construction Company Limited (“Wan Kei (Macau)”), which is engaged in the construction site foundation engineering and bore pile pre-drilling works in Macau, from two directors, Mr. Fong Hon Hung and Mr. Lau Chi Hing at a total consideration of HK\$8,106,428. The purchase consideration for the acquisition was in the form of cash and was fully paid by the Group.

The acquisition of Wan Kei (Macau) was made with the aims to enhance the Group’s capabilities to act as subcontractor for projects in Macau.

The following table summarises the consideration paid for Wan Kei (Macau), the fair value of assets acquired, liabilities assumed at the date of acquisition.

	<i>HK\$</i>
Cash consideration	<u>8,106,428</u>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Gross amounts due from customers for contract work	1,912,997
Trade and other receivables	5,643,840
Amounts due from shareholders	217,574
Cash and cash equivalents	<u>14,930,069</u>
<b>Total identifiable assets acquired</b>	<u>22,704,480</u>
Trade and other payables	(903,869)
Amount due to a related company	(10,988,775)
Tax payable	<u>(2,705,408)</u>
<b>Total identifiable liabilities assumed</b>	<u>(14,598,052)</u>
<b>Total identifiable net assets acquired</b>	<u>8,106,428</u>

For the period from 5 December 2014 to 31 March 2015, Wan Kei (Macau) contributed no revenue and loss of HK\$201,391 to the Group’s results. If the acquisition had occurred on 1 April 2014, management estimates that combined revenue would have been HK\$421,585,899 and combined profit for the year would have been HK\$67,693,940. In determining these amounts, management has assumed that the fair value adjustments determined by the independent valuation that arose on the acquisition date would have been the same if the acquisition had occurred on 1 April 2014.

Acquisition-related costs of HK\$150,741 have been charged to administrative expenses in the combined statement of profit or loss and comprehensive income for the year ended 31 March 2015.

*Analysis of net inflow of cash and cash equivalents in respect of acquisition of Wan Kei (Macau):*

	<i>HK\$</i>
Total consideration, satisfied by cash	8,106,428
Less: Cash and cash equivalents acquired	<u>(14,930,069)</u>
Net cash inflow arising from acquisition of Wan Kei (Macau)	<u>(6,823,641)</u>

**24 Possible impact of amendments, new standards and interpretations issued but not yet effective for the Relevant Periods**

Up to the date of issue of the Financial Information, the HKICPA has issued a few amendments and new standards which are not yet effective for the Relevant Periods and which have not been adopted in the Financial Information. These include the following which may be relevant to the Group.

	<i>Effective for accounting periods beginning on or after</i>
HKFRS 15, <i>Revenue from contracts with customers</i>	1 January 2018
HKFRS 9, <i>Financial instruments</i>	1 January 2018

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application and is not yet in a position to state whether the adoption of them will have a significant impact on the Group's results of operations and financial position.

**C. SUBSEQUENT EVENTS**

The following significant event took place subsequent to 31 March 2015:

**Group reorganisation**

The Company was incorporated in the Cayman Islands on 7 October 2014. The companies comprising the Group underwent and completed a Reorganisation in preparation for the listing of the Company's shares on the Stock Exchange. Further details of the Reorganisation are set out in the section headed "History, Reorganisation and Group Structure" in the Prospectus. After completion of the Reorganisation on 9 May 2015, the Company became the holding company of the Group.

**D. FINANCIAL INFORMATION OF THE COMPANY**

The Company was incorporated on 7 October 2014 with authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each and has not carried on any business since the date of incorporation except for the Reorganisation. One nil-paid share was allotted and issued to the initial subscriber of the Company on 7 October 2014, and was subsequently transferred to Suntecli Company Limited ("Suntecli") on the same day.

On 5 November 2014, 5,681, 2,364, 1,939 and 15 nil-paid shares were allotted and issued to Suntecli, Samwood Global Limited ("Samwood"), Mr. Leung Man Lun Stephen ("Mr. Leung") and Ms. Yeung Siu Lai ("Ms. Yeung") respectively.

On 9 May 2015, it was resolved to increase the authorised share capital of the Company from HK\$380,000 to HK\$20,000,000 by the creation of an additional 1,962,000,000 shares, each ranking pari passu with the shares then in issue in all respects.

On 9 May 2015, pursuant to the Reorganisation and as consideration for the acquisition by the Company of the entire issued share capital of Hong Kong Wan Wai Company Limited from Suntecli, Samwood, Mr. Leung and Ms. Yeung, the 5,682, 2,364, 1,939 and 15 nil paid shares then held by Suntecli, Samwood, Mr. Leung and Ms. Yeung respectively were

credited as fully paid at par, and 397,734,318, 165,477,636, 135,728,061 and 1,049,985 shares, all credited as fully paid at par, were allotted and issued to Suntecli, Samwood, Mr. Leung and Ms. Yeung respectively.

**E. SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS**

No audited financial statements have been prepared by the Company, or its subsidiaries in respect of any period subsequent to 31 March 2015. No dividend has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2015.

Yours faithfully,  
**KPMG**  
*Certified Public Accountants*  
Hong Kong

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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*The information set forth in this appendix does not form part of the Accountants' Report received from KPMG, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I to this Prospectus, and is included herein for illustrative purposes only.*

*The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this Prospectus and the Accountants' Report set forth in Appendix I to this Prospectus.*

**A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS**

The following unaudited pro forma statement of our adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules and on the basis of the notes set out below, for the purpose of illustrating the effect of the Global Offering on our combined net tangible assets as at 31 March 2015 as if the Global Offering had taken place on 31 March 2015.

The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purpose only and because of its hypothetical nature, it may not give a true picture of our financial position following the Global Offering. It is prepared based on our combined net tangible assets attributable to equity shareholders of our Company as of 31 March 2015 as derived from our combined financial information set forth in the Accountants' Report in Appendix I, and adjusted as described below.

	<b>Combined net tangible assets attributable to equity shareholders of our Company as at 31 March 2015<sup>(1)</sup> HK\$'000</b>	<b>Estimated net proceeds from the Global Offering<sup>(2)</sup> HK\$'000</b>	<b>Unaudited pro forma adjusted net tangible assets<sup>(3)</sup> HK\$'000</b>	<b>Unaudited pro forma adjusted net tangible assets per Share<sup>(4)</sup> HK\$</b>
Based on an Offer Price of HK\$0.85 per share	146,080	81,423	227,503	0.28
Based on an Offer Price of HK\$0.65 per share	<u>146,080</u>	<u>61,923</u>	<u>208,003</u>	<u>0.26</u>

*Notes:*

- (1) The combined net tangible assets attributable to equity shareholders of our Company as at 31 March 2015 is extracted from the combined financial information included in the Accountants' Report as set out in Appendix I to this prospectus, which is compiled based on the combined net assets attributable to equity shareholders of the Company as at 31 March 2015 of HK\$146.4 million with an adjustment for the intangible assets as at 31 March 2015 of HK\$0.4 million.



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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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- (2) The estimated net proceeds from the Global Offering are based on 100,000,000 New Shares at the Offer Price of HK\$0.65 per Offer Share or HK\$0.85 per Offer Share, being the low or high end of the stated Offer Price range, after deduction of the underwriting fees and other listing-related expenses payable by our Group of approximately HK\$3.1 million or HK\$3.6 million based on the Offer Price of HK\$0.65 per Offer Share or HK\$0.85 per Offer Share respectively (taking into account the effect of listing-related expenses of approximately HK\$10.8 million which have been accounted for prior to 31 March 2015, listing-related expenses of approximately HK\$4.5 million or HK\$5.0 million borne by the Selling Shareholders for the sale of Sale Share based on the Offer Price of HK\$0.65 per Offer Share or HK\$0.85 per Offer Share respectively and approximately HK\$9.4 million that the Selling Shareholders has agreed to reimburse in its capacity as shareholders of the Company).
- (3) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 31 March 2015.
- (4) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 800,000,000 Shares were in issue immediately following the completion of the Global Offering. It does not take into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme, any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue Shares and Repurchase Mandate.

**B.    REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose of incorporation in this prospectus.*



8th Floor  
Prince's Building  
10 Chater Road  
Central  
Hong Kong

28 July 2015

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF WAN KEI GROUP HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of Wan Kei Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets as at 31 March 2015 as set out in Part A of Appendix II to the prospectus dated 28 July 2015 (the "Prospectus") issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part A of Appendix II to the Prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed offering of the ordinary shares of the Company (the "Global Offering") on the Group's financial position as at 31 March 2015 as if the Global Offering had taken place at 31 March 2015. As part of this process, information about the financial position of the Group as at 31 March 2015 has been extracted by the Directors from the Group's historical financial statements included in the Accountants' Report as set out in Appendix I to the Prospectus.

**Directors' Responsibilities for the Pro Forma Financial Information**

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

**Reporting Accountants' Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of events or transactions as at 31 March 2015 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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**APPENDIX II            UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

**Opinion**

In our opinion:

- a) the pro forma financial information has been properly compiled on the basis stated;
- b) such basis is consistent with the accounting policies of the Group, and
- c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**KPMG**  
*Certified Public Accountants*  
Hong Kong

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## APPENDIX III                      SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

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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 Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 7 October 2014 under the Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and the Amended and Restated Articles of Association (the "Articles").

### 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since 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) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

### 2. ARTICLES OF ASSOCIATION

The Articles were adopted on 9 May 2015. 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) *Share certificates*

Every person whose name is entered as a member in the register of members shall be entitled to receive a certificate for his shares. No shares shall be issued to bearer.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by 2 Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical

signature other than autographic or may be printed thereon as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words “restricted voting” or “limited voting” or “non-voting” or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than 4 persons as joint holders of any share.

**(b) Directors**

*(i) Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

*(ii) Power to dispose of the assets of the Company or any subsidiary*

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by 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, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

*(iii) Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

*(iv) Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors and their close associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(v) *Disclosure of interest in contracts with the Company or with any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of 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 or other benefits received by him as a director, officer or member of 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.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, 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 for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his close associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;



- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including (i) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his close associates and employees of the Company or 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 generally accorded to the class of persons to which such scheme or fund relates; or
- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares 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.

(vi) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion 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 has held office. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in

addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

*(vii) Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board 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. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the despatch of the notice of the meeting appointed for such election and end no later than 7 days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least 7 days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to retirement by rotation provisions in the articles of association. The number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;

- (bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (cc) if, 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) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or
- (hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with 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 also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

*(viii) Borrowing powers*

Pursuant to the Articles, 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 uncalled capital of the Company and, subject to the Companies Law, to issue debentures, debenture stock, 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. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

*(ix) Register of Directors and officers*

Pursuant to the Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

*(x) Proceedings of the Board*

Subject to the Articles, the Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

**(c) Alterations to the constitutional documents**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

**(d) 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 any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

**(e) Alteration of capital**

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital – subject to the Companies Law and to confirmation by the court, a company limited by shares may, if so authorised by its Articles of Association, by special resolution, reduce its share capital in any way.

**(f) Special resolution – majority required**

In accordance with the Articles, 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 by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An “ordinary resolution”, by contrast, is 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 members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 clear days’ notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

**(g) Voting rights (generally and on a poll) and right to demand a poll**

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purpose as paid up on the share, and on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by:

- (i) at least two members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy for the time being entitled to vote at the meeting; or
- (ii) any member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iii) a member or members present in person or, in the case of a member being a corporation, by its duly authorised representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorised 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 in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the



same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

**(h) Annual general meetings**

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

**(i) Accounts and audit**

The Board shall cause proper books of account 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 assets and liabilities of the Company and of all other matters required by the Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements



must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than 21 days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

**(j) Notices of meetings and business to be conducted thereat**

An annual general meeting of the Company must be called by at least 21 days' notice in writing, and a general meeting of the Company, other than an annual general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorised by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% of the total voting rights at the meeting of all members of the Company.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed 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;
- (ee) the fixing of the remuneration of the Directors and of the auditors;
- (ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and
- (gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

**(k) Transfer of shares**

Subject to the Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed

transfers in any case in which it in its discretion thinks fit to do so, and 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 of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognise any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

**(I) 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 requirement imposed from time to time by the Articles, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

**(m) Power of any subsidiary of the Company to own shares in the Company**

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

**(n) 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.

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, although 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 in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

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.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20 % per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend subsequently declared or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise 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, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

**(o) 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 shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

**(p) Calls on shares and forfeiture of shares**

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix 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 money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on him

requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the 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, nevertheless, 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 payment at such rate not exceeding 20% per annum as the Board may prescribe.

**(q) Inspection of corporate records**

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. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

**(r) Quorum for meetings and separate class meetings**

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an



adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

**(s) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

**(t) 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 shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the 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, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of 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 and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.



**(u) Untraceable members**

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

- (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;
- (ii) upon the expiry of the 12 years and 3 months period (being the 3 months notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and
- (iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

**(v) Subscription rights reserve**

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Companies Law, if warrants to subscribe for shares have been issued by 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 the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

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**APPENDIX III                      SUMMARY OF THE CONSTITUTION OF OUR  
COMPANY AND CAYMAN ISLANDS COMPANY LAW**

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**3. CAYMAN ISLANDS COMPANY LAW**

The Company was incorporated in the Cayman Islands as an exempted company on 7 October 2014 subject to the Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

**(a) Company operations**

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, 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 authorized share capital.

**(b) Share capital**

In accordance with the Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. 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 or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The 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 such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, the Companies Law provides that 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.

It is further provided by the Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

**(c) Financial assistance to purchase shares of a company or its holding company**

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized 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 member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of 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 authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Under Section 37A(1) the Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy 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**

With the exception of sections 34 and 37A(7) of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

**(f) Protection of minorities and shareholders' suits**

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- (i) an act which is *ultra vires* the company or illegal;

- (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- (iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

**(g) Disposal of assets**

There are no specific restrictions in the Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that 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 interest 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**

Section 59 of the Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to 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.

Section 59 of the Companies Law further states that 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.

If the Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

**(j) Taxation**

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
  - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
  - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of twenty years from 28 October 2014.

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 certain stamp duties which may be applicable, from time to time, on certain instruments.

**(k) Stamp duty on transfers**

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

**(l) Loans to directors**

The Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

**(m) Inspection of corporate records**

The 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 of association.

**(n) Register of members**

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. The Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

**(o) Winding up**

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be wound up. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of 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.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized 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.

**(p) Reconstructions**

Reconstructions and amalgamations are governed by specific statutory provisions under the Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.



**(q) Take-overs**

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

**(r) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

**4. GENERAL**

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix V. 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 7 October 2014. Our Company was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 21 January 2015, and establishes a principal place of business in Hong Kong at Rooms 6&8, 9th Floor, Block A, Fuk Keung Industrial Building, No. 66-68 Tong Mi Road, Mongkok, Kowloon, Hong Kong. Loong & Yeung of Suites 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company is incorporated in the Cayman Islands, it is subject to the Cayman Islands law and to its constitution, which comprises the Memorandum of Association and the Articles. A summary of various provisions of its constitution and relevant aspects of the Companies Law is set out in “Appendix III – Summary of the Constitution of our Company and Cayman Islands Company Law” to this prospectus.

**2. Changes in share capital of our Company**

- (a) As at the date of incorporation, our Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. 1 Share was allotted and issued nil-paid to the subscriber on 7 October 2014, and was subsequently transferred to Suntecli on the same day. On 5 November 2014, 5,681, 2,364, 1,939 and 15 nil-paid Shares were allotted and issued to Suntecli, Samwood, Mr. Leung and Ms. Yeung respectively.
- (b) On 9 May 2015, our Shareholders resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$20,000,000 by creation of an additional 1,962,000,000 Shares, each ranking pari passu with our Shares then in issue in all respects.
- (c) On 9 May 2015, pursuant to the Reorganisation, our Company acquired 5,682, 2,364, 1,939 and 15 shares in Wan Wai (in aggregate representing the entire issued share capital of Wan Wai) from each of Suntecli, Samwood, Mr. Leung and Ms. Yeung, respectively, and as consideration, the 5,682, 2,364, 1,939 and 15 nil-paid Share held by Suntecli, Samwood, Mr. Leung and Ms. Yeung were credited as fully paid, respectively and 397,734,318, 165,477,636, 135,728,061 and 1,049,985 new Shares were issued and allotted to Suntecli, Samwood, Mr. Leung and Ms. Yeung, all credited as fully paid, respectively.
- (d) Immediately following completion of the Global Offering, and taking no account any option which may be granted under the Share Option Scheme, 800,000,000 Shares will be issued fully-paid or credited as fully-paid, and 1,200,000,000 Shares will remain unissued.

- (e) Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “3. Written resolutions of the Shareholders passed on 9 May 2015” in this appendix and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.
- (f) Save as disclosed in this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

### **3. Written resolutions of the Shareholders passed on 9 May 2015**

On 9 May 2015, resolutions in writing were passed by the Shareholders pursuant to which, among other things:

- (a) our Company approved and adopted the Memorandum of Association and the Articles, the terms of which are summarised in Appendix III to this prospectus;
- (b) conditional on the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares to be issued upon exercise of any option which may be granted under the Share Option Scheme) and on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and the Underwriting Agreements not being terminated in accordance with its terms or otherwise, in each case on or before the date falling 30 days after the date of the issue of this prospectus:
  - (i) the Global Offering was approved and our Directors were authorised to allot and issue new Shares pursuant to the Global Offering to rank pari passu with the then existing Shares in all respects; and
  - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in the paragraph headed “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 the 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 such actions as they consider necessary or desirable to implement the Share Option Scheme;
- (c) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme or any other share

option scheme of our Company or any Shares allotted and issued in lieu of the whole or part of a dividend on Shares or similar arrangement in accordance with the Memorandum of Association and the Articles or pursuant to a specific authority granted by the Shareholders in general meeting or pursuant to the Global Offering, Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities, and to make or grant offers, agreements or options which might require the exercise of such power, with an aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering but excluding any Share to be issued upon exercise of any option which may be granted under the Share Option Scheme, such mandate to remain in effect until 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 Memorandum of Association and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
  - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders at general meeting;
- (d) a general unconditional mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering but excluding any Share to be issued upon exercise of any option which may be granted under the Share Option Scheme, such mandate to remain in effect until 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 Memorandum of Association and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held; or
  - (iii) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting; and

- (e) the general unconditional mandate mentioned in sub-paragraph (c) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company 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 aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering but excluding any Share to be issued upon exercise of any option which may be granted under the Share Option Scheme.

#### 4. Corporate reorganisation

In preparing for the Listing, the companies comprising our Group underwent the Reorganisation to rationalise the corporate structure of our Group and our Company became the holding company of our Group. The Reorganisation involved the following major steps:

- (a) On 3 July 2014, Samwood was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 25 September 2014, 100 ordinary shares were issued and allotted to the shareholders of Gold Crown in proportion to their respective shareholdings in Gold Crown. After the aforesaid allotment and issue of shares, the issued share capital of Samwood was owned by Mr. Fong and Mr. Yeung as to 79% and 21%, respectively.
- (b) On 19 September 2014, Suntecli was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 25 September 2014, 18,600 ordinary shares were issued and allotted to the shareholders of Chung Hang in proportion to their respective shareholdings in Chung Hang. After the aforesaid allotment and issue of shares, the issued share capital of Suntecli was owned by Mr. WS Lau, Ms. Wong Po Lin (黃寶蓮), Ms. So, Mr. CS Lau, Mr. CH Lau and Mr. Ian Lau as to approximately 94.65%, 1.07%, 1.07%, 1.07%, 1.07% and 1.07%, respectively.
- (c) On 30 September 2014, Wan Wai, the intermediate holding company of our Group, was incorporated in the BVI with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each. On 30 September 2014, 5,682, 2,364, 1,939 and 15 ordinary shares were issued and allotted to Suntecli, Samwood, Mr. Leung and Ms. Yeung, respectively. After the aforesaid allotment and issue of shares, the issued share capital of Wan Wai was owned by Suntecli, Samwood, Mr. Leung and Ms. Yeung as to 56.82%, 23.64 %, 19.39% and 0.15%, respectively.

- (d) Our Company was incorporated on 7 October 2014 in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each. One nil-paid Share was allotted and issued to the subscriber according to the memorandum and articles of association of our Company, which was later transferred to Suntecli on 7 October 2014. On 5 November 2014, 5,681, 2,364, 1,939 and 15 nil-paid Shares were allotted and issued to Suntecli, Samwood, Mr. Leung and Ms. Yeung, respectively. After the aforesaid allotment and issue of Shares, the issued share capital of our Company was owned by Suntecli, Samwood, Mr. Leung and Ms. Yeung as to 56.82%, 23.64%, 19.39% and 0.15%, respectively.
- (e) On 20 November 2014, Wan Wai acquired 57, 24 and 19 ordinary shares in Wan Kei Machinery (in aggregate representing the entire issued share capital of Wan Kei Machinery) from Chung Hang, Gold Crown and Mr. Leung at the nominal consideration of HK\$57, HK\$24 and HK\$19, respectively. After the aforesaid share transfers, Wan Kei Machinery became a wholly-owned subsidiary of Wan Wai.
- (f) On 20 November 2014, Wan Wai acquired 157,500, 157,500 and 35,000 ordinary shares in Chung Shun (in aggregate representing 50% of the entire issued share capital of Chung Shun) from Chung Hang, Mr. Leung and Ms. Yeung at the nominal consideration of HK\$1,575, HK\$1,575 and HK\$350, respectively. After the aforesaid share transfers, Chung Shun was directly owned by Wan Wai as to 50% and indirectly owned by Wan Wai through Wan Kei Machinery as to 50%.
- (g) On 20 November 2014, Wan Wai acquired 5,700,000, 2,400,000 and 1,900,000 ordinary shares in Wan Kei Engineering (in aggregate representing the entire issued share capital of Wan Kei Engineering) from Chung Hang, Gold Crown and Mr. Leung at the nominal consideration of HK\$5,700, HK\$2,400 and HK\$1,900, respectively. After the aforesaid share transfers, Wan Kei Engineering became a wholly-owned subsidiary of Wan Wai.
- (h) On 5 December 2014, Wan Kei Engineering acquired 1 and 1 share in Wan Kei (Macau) (in aggregate representing the entire issued share capital of Wan Kei (Macau)) from Mr. CH Lau and Mr. Fong at the consideration of HK\$4,053,214 (equivalent to approximately MOP\$4,174,810) and HK\$4,053,214 (equivalent to approximately MOP\$4,174,810), respectively. After the aforesaid share transfers, Wan Kei (Macau) became a wholly-owned subsidiary of Wan Kei Engineering.
- (i) On 9 May 2015, our Shareholders resolved to increase the authorised share capital of our Company from HK\$380,000 to HK\$20,000,000 by creation of an additional 1,962,000,000 Shares, each ranking pari passu with our Shares then in issue in all respects.

- (j) On 9 May 2015, our Company acquired 5,682, 2,364, 1,939 and 15 shares in Wan Wai (in aggregate representing the entire issued share capital of Wan Wai) from each of Suntecli, Samwood, Mr. Leung and Ms. Yeung, respectively, and as consideration, the 5,682, 2,364, 1,939 and 15 nil-paid Shares held by Suntecli, Samwood, Mr. Leung and Ms. Yeung were credited as fully paid, respectively and 397,734,318, 165,477,636, 135,728,061 and 1,049,985 new Shares were issued and allotted to Suntecli, Samwood, Mr. Leung and Ms. Yeung, all credited as fully paid, respectively.

Immediately after completion of the share transfers referred to in item (j) above, our Company then became the holding company of our Group.

#### **5. Changes in share capital of subsidiaries**

The subsidiaries of our Company are listed in the Accountants' Report of our Company, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in the paragraph headed "Corporate reorganisation" in this appendix and in the section headed "History, Reorganisation and Group Structure" in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

#### **6. Repurchase of Shares by our Company**

This section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase of Shares by our Company.

##### ***(a) Provisions of the Stock Exchange Listing Rules***

The Stock Exchange Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, a summary of which is set out below:

##### ***(i) Shareholders' approval***

The Listing Rules provide that all proposed repurchases of shares, which must be fully paid up in the case of shares, by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

*Note:* Pursuant to the written resolutions passed by the Shareholders on 9 May 2015, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering but excluding any Shares to be issued upon exercise



of any options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum of Association and the Articles or the Companies Law or any other applicable laws of the Cayman Islands to be held or the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

*(ii) Source of funds*

Any repurchase by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the Listing Rules. Our Company may not repurchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits or out of the proceeds 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 profits of our Company or out of our Company's share premium account before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

*(iii) Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing the Shares on the Stock Exchange from a core connected person, which includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or a close associate of any of them, and a core connected person shall not knowingly sell Shares to our Company.

***(b) Exercise of the Repurchase Mandate***

On the basis of 800,000,000 Shares in issue immediately after completion of the Global Offering, our Directors would be authorised under the Repurchase Mandate to repurchase up to 80,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid-up.

***(c) Reasons for repurchases***

Our Directors believe that it is in the best interests of our Company and the Shareholders for our Directors to have a general authority from Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and the Shareholders.



*(d) Funding of repurchases*

In repurchasing the Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

*(e) General*

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their close associates, has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles and the applicable law and regulations from time to time in force in the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase.

Save as disclosed above, our Directors are not aware of any consequences which may arise under the Takeovers Code as a consequence of any repurchase of Shares if made immediately after the listing of the Shares pursuant to the Repurchase Mandate. At present, so far as is known to our Directors, no Shareholder may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code in the event that our Directors exercise the power in full to repurchase 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 connected person has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

**B. FURTHER INFORMATION ABOUT THE BUSINESS****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 this prospectus and are or may be material in relation to the business of our Company taken as a whole:

- (a) an instrument of transfer dated 20 November 2014 and entered into between Chung Hang (as transferor) and Wan Wai (as transferee) pursuant to which Wan Wai acquired 157,500 shares of Chung Shun in issue from Chung Hang at a consideration of HK\$1,575;
- (b) bought and sold notes dated 20 November 2014 executed by Chung Hang (as seller) and Wan Wai (as buyer) for the transfer of 157,500 shares of Chung Shun in issue as referred to in item (a) above;
- (c) an instrument of transfer dated 20 November 2014 and entered into between Mr. Leung Man Lun, Stephen (as transferor) and Wan Wai (as transferee) pursuant to which Wan Wai acquired 157,500 shares of Chung Shun in issue from Mr. Leung Man Lun, Stephen at a consideration of HK\$1,575;
- (d) bought and sold notes dated 20 November 2014 executed by Mr. Leung Man Lun, Stephen (as seller) and Wan Wai (as buyer) for the transfer of 157,500 shares of Chung Shun in issue as referred to in item (c) above;
- (e) an instrument of transfer dated 20 November 2014 and entered into between Ms. Yeung (as transferor) and Wan Wai (as transferee) pursuant to which Wan Wai acquired 35,000 shares of Chung Shun in issue from Ms. Yeung at a consideration of HK\$350;
- (f) bought and sold notes dated 20 November 2014 executed by Ms. Yeung (as seller) and Wan Wai (as buyer) for the transfer of 35,000 shares of Chung Shun in issue as referred to in item (e) above;
- (g) an instrument of transfer dated 20 November 2014 and entered into between Chung Hang (as transferor) and Wan Wai (as transferee) pursuant to which Wan Wai acquired 57 shares of Wan Kei Machinery in issue from Chung Hang at a consideration of HK\$57;
- (h) bought and sold notes dated 20 November 2014 executed by Chung Hang (as seller) and Wan Wai (as buyer) for the transfer of 57 shares of Wan Kei Machinery in issue as referred to in item (g) above;

- (i) an instrument of transfer dated 20 November 2014 and entered into between Mr. Leung Man Lun, Stephen (as transferor) and Wan Wai (as transferee) pursuant to which Wan Wai acquired 19 shares of Wan Kei Machinery in issue from Mr. Leung Man Lun, Stephen at a consideration of HK\$19;
- (j) bought and sold notes dated 20 November 2014 executed by Mr. Leung Man Lun, Stephen (as seller) and Wan Wai (as buyer) for the transfer of 19 shares of Wan Kei Machinery in issue as referred to in item (i) above;
- (k) an instrument of transfer dated 20 November 2014 and entered into between Gold Crown (as transferor) and Wan Wai (as transferee) pursuant to which Wan Wai acquired 24 shares of Wan Kei Machinery in issue from Gold Crown at a consideration of HK\$24;
- (l) bought and sold notes dated 20 November 2014 executed by Gold Crown (as seller) and Wan Wai (as buyer) for the transfer of 24 shares of Wan Kei Machinery in issue as referred to in item (k) above;
- (m) an instrument of transfer dated 20 November 2014 and entered into between Chung Hang (as transferor) and Wan Wai (as transferee) pursuant to which Wan Wai acquired 5,700,000 shares of Wan Kei Engineering in issue from Chung Hang at a consideration of HK\$5,700;
- (n) bought and sold notes dated 20 November 2014 executed by Chung Hang (as seller) and Wan Wai (as buyer) for the transfer of 5,700,000 shares of Wan Kei Engineering in issue as referred to in item (m) above;
- (o) an instrument of transfer dated 20 November 2014 and entered into between Gold Crown (as transferor) and Wan Wai (as transferee) pursuant to which Wan Wai acquired 2,400,000 shares of Wan Kei Engineering in issue from Gold Crown at a consideration of HK\$2,400;
- (p) bought and sold notes dated 20 November 2014 executed by Gold Crown (as seller) and Wan Wai (as buyer) for the transfer of 2,400,000 shares of Wan Kei Engineering in issue as referred to in item (o) above;
- (q) an instrument of transfer dated 20 November 2014 and entered into between Mr. Leung Man Lun, Stephen (as transferor) and Wan Wai (as transferee) pursuant to which Wan Wai acquired 1,900,000 shares of Wan Kei Engineering in issue from Mr. Leung Man Lun, Stephen at a consideration of HK\$1,900;
- (r) bought and sold notes dated 20 November 2014 executed by Mr. Leung Man Lun, Stephen (as seller) and Wan Wai (as buyer) for the transfer of 1,900,000 shares of Wan Kei Engineering in issue as referred to in item (q) above;



- (s) a sales and purchase agreement dated 5 December 2014 entered into between Mr. CH Lau (as vendor), Mr. Fong (as vendor) and Wan Kei Engineering (as purchaser), pursuant to which Wan Kei Engineering acquired 1 and 1 shares of Wan Kei (Macau) which represent, in aggregate, the then entire issued share capital of Wan Kei (Macau), from each of Mr. CH Lau and Mr. Fong at the consideration of HK\$4,053,214 (equivalent to approximately MOP\$4,174,810) and HK\$4,053,214 (equivalent to approximately MOP\$4,174,810), respectively;
- (t) a sale and purchase agreement dated 9 May 2015 and entered into among our Company (as purchaser), Suntecli (as vendor), Samwood (as vendor), Mr. Leung (as vendor and warrantor), Ms. Yeung (as vendor), Mr. WS Lau (as warrantor) and Mr. Fong (as warrantor), pursuant to which our Company has acquired the entire issued share capital of Wan Wai from Suntecli, Samwood, Mr. Leung and Ms. Yeung and as consideration, the 5,682, 2,364, 1,939 and 15 nil-paid Shares held by Suntecli, Samwood, Mr. Leung and Ms. Yeung, respectively were credited as fully paid and 397,734,318, 165,477,636, 135,728,061 and 1,049,985 new Shares were issued and allotted to Suntecli, Samwood, Mr. Leung and Ms. Yeung, all credited as fully paid, respectively;
- (u) an instrument of transfer dated 9 May 2015 and entered into between Suntecli (as transferor) and our Company (as transferee) for the transfer of 5,682 shares of Wan Wai as referred in (t) above;
- (v) an instrument of transfer dated 9 May 2015 and entered into between Samwood (as transferor) and our Company (as transferee) for the transfer of 2,364 shares of Wan Wai as referred in (t) above;
- (w) an instrument of transfer dated 9 May 2015 and entered into between Mr. Leung (as transferor) and our Company (as transferee) for the transfer of 1,939 shares of Wan Wai as referred in (t) above;
- (x) an instrument of transfer dated 9 May 2015 and entered into between Ms. Yeung (as transferor) and our Company (as transferee) for the transfer of 15 shares of Wan Wai as referred in (t) above;
- (y) the Deed of Indemnity dated 12 May 2015 executed by Suntecli, Samwood, Mr. WS Lau, Mr. Fong and Mr. Leung in favour of our Company (for itself and on behalf of its subsidiaries) containing indemnities referred to in the paragraph headed “E. Other Information – 1. Tax and other indemnities” in this appendix;
- (z) the Deed of Non-competition in Chinese dated 12 May 2015 executed among Suntecli, Samwood, Mr. WS Lau, Mr. Fong and Mr. Leung in favour of our Company (for itself and on behalf of its subsidiaries), details of which are set out in the paragraph headed “Relationship with our Controlling Shareholders – Deed of Non-competition” in this prospectus; and

(aa) the Hong Kong Underwriting Agreement.

## 2. Intellectual property rights of our Group

### (a) Trademark

As at the Latest Practicable Date, our Group had the following registered trademark:

Trademark	Trade Mark Number	Classes	Registration Date	Expiry Date	Place of Registration	Registrant
	303159856	37, 42	9 October 2014	8 October 2024	Hong Kong	Wan Kei Engineering
	303295684	37, 42	6 February 2015	5 February 2025	Hong Kong	Chung Shun

### (b) Domain name

As at the Latest Practicable Date, our Group has registered the following domain name which is material to the business of our Group:

Domain name	Registrant	Registration date	Expiry date
wankei.com.hk	Wan Kei Engineering	8 March 2000	1 October 2015

## C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

### 1. Disclosure of Interests

#### (a) *Interests of Directors and chief executive in Shares, underlying Shares and debentures of our Company and the associated corporations*

Immediately following completion of the Global Offering (without taking into account any Share to be issued upon exercise of any option which may be granted under the Share Option Scheme), the interests and short positions of our Directors or chief executive of our Company in Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the Stock Exchange, would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the

SFO) or will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or will be required pursuant to Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules relating to securities transactions by our Directors to be notified to our Company and the Stock Exchange, will be as follows:

(i) *Long position in the Shares*

<b>Name of Director</b>	<b>Capacity/nature</b>	<b>Number of Shares held/ interested in</b>	<b>Approximate percentage of interest</b>
Mr. WS Lau	Interests held jointly with other persons; interest in controlled corporation (Notes 1 and 4)	599,100,000	74.9%
Mr. Fong	Interests held jointly with other persons; interest in controlled corporation (Notes 2 and 4)	599,100,000	74.9%
Mr. Leung	Interests held jointly with other persons; beneficial interest (Notes 3 and 4)	599,100,000	74.9%

*Notes:*

- (1) Mr. WS Lau owns approximately 94.65% shareholding in Suntecli, which in turn beneficially owns 42.62% shareholding in our Company. Therefore, Mr. WS Lau is deemed or taken to be interested in all the Shares which are beneficially owned by Suntecli for the purpose of SFO. Mr. WS Lau is our Chairman, an executive Director and the chairman of our nomination committee.
- (2) Mr. Fong owns 79% shareholding in Samwood, which in turn beneficially owns 17.73% shareholding in our Company. Therefore, Mr. Fong is deemed or taken to be interested in all the Shares which are beneficially owned by Samwood for the purpose of SFO. Mr. Fong is our chief executive officer and an executive Director.
- (3) Mr. Leung is an executive Director.
- (4) Suntecli, Samwood, Mr. WS Lau, Mr. Fong and Mr. Leung are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) pursuant to the Concert Party Deed. As such, immediately following completion of the Global Offering (without taking into account any Share which may be issued upon the exercise of any option that may be granted under the Share Option Scheme), Suntecli, Samwood, Mr. WS Lau, Mr. Fong and Mr. Leung will together control approximately 74.9% of our entire issued share capital.

*(ii) Interest in our associated corporations*

<b>Name of Director</b>	<b>Position in our associated corporations</b>	<b>Percentage of interest in our associated corporations</b>
Mr. WS Lau	Director of Suntecli <i>(Note)</i>	Approximately 94.65% in Suntecli
Mr. CH Lau	Director of Suntecli <i>(Note)</i>	Approximately 1.07% in Suntecli
Mr. CS Lau	N/A	Approximately 1.07% in Suntecli
Mr. Fong	Director of Samwood <i>(Note)</i>	79% in Samwood

*Note:*

Suntecli, Samwood, Mr. WS Lau, Mr. Fong and Mr. Leung are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) pursuant to the Concert Party Deed. As such, immediately following completion of the Global Offering (without taking into account any Share which may be issued upon the exercise of any option that may be granted under the Share Option Scheme), Suntecli, Samwood, Mr. WS Lau, Mr. Fong and Mr. Leung will together control approximately 74.9% of our entire issued share capital.

*(b) Interests of substantial and other Shareholders in the Shares and underlying Shares*

So far as is known to our Directors and taking no account any Share which may be issued pursuant to exercise of any option which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Global Offering, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of our Company or any of our subsidiaries:

*Long position in the Shares*

<b>Name</b>	<b>Capacity/nature</b>	<b>Number of Shares held/ interested</b>	<b>Approximate percentage of interest</b>
Suntecli	Interests held jointly with other persons; beneficial owner ( <i>Note 1</i> )	599,100,000	74.9%
Samwood	Interests held jointly with other persons; beneficial owner ( <i>Note 1</i> )	599,100,000	74.9%
Ms. So	Interest of spouse ( <i>Note 2</i> )	599,100,000	74.9%
Ms. Kwong Sui Sim	Interest of spouse ( <i>Note 3</i> )	599,100,000	74.9%
Ms. Chan Sui Yau Cathy	Interest of spouse ( <i>Note 4</i> )	599,100,000	74.9%

*Notes*

- (1) Suntecli and Samwood, together with Mr. WS Lau, Mr. Fong and Mr. Leung, are parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) pursuant to the Concert Party Deed and accordingly each of them is deemed to be interested in the Shares held by each other. Pursuant to the Concert Party Deed, Mr. WS Lau, Mr. Fong, Mr. Leung, Suntecli and Samwood have been parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) in the course of the Reorganisation and will continue to be parties acting in concert (having the meaning as ascribed thereto in the Takeovers Code) until such arrangement is terminated in writing by them pursuant to the Concert Party Deed. For details, please refer to the paragraph headed "History, Reorganisation and Group Structure – Concert Party Deed" in this prospectus.
- (2) Ms. So is the spouse of Mr. WS Lau and is deemed or taken to be interested in all the Shares in which Mr. WS Lau has, or is deemed to have, an interest for the purposes of the SFO.
- (3) Ms. Kwong Sui Sim is the spouse of Mr. Fong and is deemed or taken to be interested in all the Shares in which Mr. Fong has, or is deemed to have, an interest for the purposes of the SFO.
- (4) Ms. Chan Sui Yau Cathy is the spouse of Mr. Leung and is deemed or taken to be interested in all the Shares in which Mr. Leung has, or is deemed to have, an interest for the purposes of the SFO.

## **2. Particulars of service agreements**

None of our Directors has or is proposed to have any service agreement with our Company or any of our subsidiaries (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).



### 3. Remuneration of Directors

- (a) The aggregate amount of compensation paid by our Group to our Directors in respect of the three financial years ended 31 March 2013, 2014 and 2015 were approximately HK\$4.8 million, HK\$7.0 million and HK\$8.8 million, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the financial year ending 31 March 2016 will be approximately HK\$6.8 million.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

<b>Executive Directors</b>	<i>HK\$</i>
Mr. WS Lau	1,440,000
Mr. CH Lau	1,380,000
Mr. Fong	1,380,000
Mr. Leung	1,320,000
Mr. CS Lau	960,000
<b>Independent non-executive Directors</b>	<i>HK\$</i>
Mr. Ong Chi King	144,000
Mr. Ho Ho Ming	144,000
Mr. Law Yiu Sing	144,000

- (d) Each of our Directors has entered into a service contract with our Company for a term commencing from the Listing Date and ending on the annual general meeting of our Company to be held in 2017, which may be terminated by not less than three months' notice served by either party on the other, and is subject to termination provisions therein and provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles.

### 4. Agency fees or commissions received

Save as disclosed in this prospectus, none of our Directors or the experts named in the paragraph headed "E. Other Information – 7. Consents of experts" in this appendix had received any agency fees, discounts, commissions, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years preceding the date of this prospectus.

**5. Related party transactions**

Details of the related party transactions are set out under Note 22 to the Accountants' Report of our Company set out in Appendix I to this prospectus.

**6. Disclaimers**

Save as disclosed in this prospectus:

- (a) taking no account any Shares to be issued upon exercise of any options which may be granted under the Share Option Scheme or repurchased by our Company pursuant to the mandate as referred to in the paragraph headed "A. Further information about our Company" in this appendix, and taking no account of Shares which may be taken up under the Global Offering, 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 Global Offering, have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly interested in 10% or more of the nominal value or any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries;
- (b) taking no account any Shares to be issued upon exercise of 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 Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or would be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules relating to securities transactions by our Directors, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed;
- (c) none of our Directors or the experts named in the paragraph headed "E. Other Information – 7. Consents of experts" in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

- (d) none of our Directors or the experts named in the paragraph headed “E. Other Information – 7. Consents of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (e) none of our Directors or the experts named in the paragraph headed “E. Other Information – 7. Consents of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) so far as is known to our Directors, none of our Directors, their respective close associates or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group;
- (g) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)); and
- (h) no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

#### **D. SHARE OPTION SCHEME**

Our Company has conditionally adopted the Share Option Scheme on 9 May 2015. 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.

The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

##### **(a) Definitions**

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date” 9 May 2015, the date on which the Share Option Scheme is conditionally adopted by our Shareholders by way of written resolutions

“Business Day”	any day on which the Stock Exchange is open for the business of dealing in securities
“Board”	the board of Directors or a duly authorised committee of the board of Directors
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the Business Day immediately preceding the tenth anniversary thereof, unless terminated earlier in accordance with the terms of the Share Option Scheme

**(b) Summary of terms**

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 9 May 2015:

***(i) Purpose of the Share Option Scheme***

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and services providers of our Group and to promote the success of the business of our Group.

***(ii) Who may join and basis of eligibility***

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme. The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

***(iii) Price of Shares***

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing

price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option. For the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five Business Days, the new issue price shall be used as the closing price for any Business Day fall within the period before listing.

*(iv) Grant of options and acceptance of offers*

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

*(v) Maximum number of Shares*

- (aa) subject to sub-paragraphs (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 80,000,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 80,000,000 Shares from time to time) to the participants under the Share Option Scheme.
- (bb) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.

- (cc) our Company may seek separate approval of the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose, such other information required under the Listing Rules.
- (dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company 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 our Company if this will result in such 30% limit being exceeded.

*(vi) Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates (or his associates if the grantee is a connected person) abstaining from voting. In such event, our Company must send a circular to our Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

*(vii) Grant of options to certain connected persons*

- (aa) Any grant of an option to a Director, chief executive or Substantial Shareholder (or any of their respective close associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (bb) Where any grant of options to a Substantial Shareholder or an independent non-executive Director (or any of their respective close associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option

schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of 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\$5,000,000,

such further grant of options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to our Shareholders containing all information as required under the Listing Rules in this regard. All core connected persons of our Company shall abstain from voting (except where any of such persons intends to vote against the proposed grant). Any change in the terms of an option granted to a Substantial Shareholder or an independent non-executive Director or any of their respective close associates is also required to be approved by Shareholders in the aforesaid manner.

***(viii) Restrictions on the times of grant of options***

- (aa) An offer for the grant of options may not be made after any inside information (as defined in the SFO) has come to the knowledge of our Company until such inside information has been announced pursuant to the requirements of the Listing Rules and the SFO. In particular, no option may be granted during the period commencing one month immediately before the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for approving our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of the results for any year or half-year under the Listing Rules, or other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement.

- (bb) Further to the restrictions in paragraph (aa) above, no option may be granted to a Director on any day on which financial results of our Company are published:

- (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
- (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

***(ix) Time of exercise of option***

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

***(x) Performance targets***

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

***(xi) Ranking of Shares***

Our Shares to be allotted 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 fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that the Shares allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

***(xii) Rights are personal to grantee***

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

***(xiii) Rights on cessation of employment by death***

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of 3 years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the



grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of 12 months following his death, then his personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

***(xiv) Rights on cessation of employment by dismissal***

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

***(xv) Rights on cessation of employment for other reasons***

In the event that the grantee is an employee, a consultant or an adviser (as the case may be) of a member of our Group at the date of grant and he subsequently ceases to be an employee, a consultant or an adviser (as the case may be) of our Group for any reason other than his death or the termination of his employment of an employee or engagement of a consultant or an adviser (as the case may be) on one or more of the grounds specified in (xiv) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment of an employee or engagement of a consultant or an adviser (as the case may be) (which date will be in the case of an employee the last actual working day, on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not, and in the case of a consultant or an adviser (as the case may be), the last actual day of providing consultancy or advisory services to the relevant member of our Group).

***(xvi) Effects of alterations to share capital***

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalisation of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial adviser to our Company shall certify or confirm in writing

(as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time, provided that any alteration shall give a grantee the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

***(xvii) Rights on a general offer***

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all our Shareholders (or all such holders other than the offeror and, or any persons controlled by the offeror and, or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

***(xviii) Rights on winding-up***

In the event a notice is given by our Company to the 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 or soon after it despatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options 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 the relevant Shares to the grantee credited as fully paid.

***(xix) Rights on compromise or arrangement***

In the event of a compromise or arrangement between our Company and our Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general meeting directed to be convened by the court for the purposes of considering such compromise or arrangement ("Suspension Date"), 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 practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavour to procure that the Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or willful default on the part of our Company or any of its officers.

*(xx) Lapse of options*

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which the Board exercises our Company's right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);
- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xv), (xvii), (xviii) or (xix) above;
- (dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;

- (ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or
- (gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

***(xxi) Cancellation of options granted but not yet exercised***

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in a manner that complies with all applicable legal requirements for such cancellation.

***(xxii) Period of the Share Option Scheme***

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

***(xxiii) Alteration to the Share Option Scheme***

- (aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.
- (bb) Any alteration to any terms of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules or any guidelines issued by the Stock Exchange from time to time.

*(xxiv) Termination of the Share Option Scheme*

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

*(xxv) Conditions of the Share Option Scheme*

The Share Option Scheme is conditional on the Listing Committee granting the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme, and commencement of dealings in the Shares on the Stock Exchange.

**(c) Present status of the Share Option Scheme**

Application has been made to the Listing Committee for the listing of, and permission to deal in 80,000,000 Shares which fall to be issued upon exercise of any options which may be granted under the Share Option Scheme.

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

**E. OTHER INFORMATION****1. Tax and other indemnities**

Suntecli, Samwood, Mr. WS Lau, Mr. Fong and Mr. Leung (collectively, the “Indemnifiers”) have, under the Deed of Indemnity referred to in paragraph (i) of the paragraph headed “B. Further Information about the Business – 1. Summary of material contracts” in this appendix, given joint and several indemnities to our Company (for itself and as trustee for the subsidiaries) in connection with, among other things,

- (a) any liability for Hong Kong estate duty which may be payable by any member of our Group under or by virtue of the provisions of section 35 and/or section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) on other similar legislation in any part of the world for reason of death of any person and by reason of any transfer of any property to any member of our Group on or before the date on which the Global Offering becomes unconditional;
- (b) any taxation falling on any member of our Group (i) in respect of or by reference to any income, profits or gains earned, accrued or received or deemed or alleged to have been earned, accrued or received on or before the date on which the Global Offering becomes unconditional; or (ii) in respect

of or by reference to any transaction, act, omission or event entered into or occurring or deemed to enter into or occur on or before the date on which the Global Offering becomes unconditional; and

- (c) any claims, actions, demands, proceedings, judgements, losses, liabilities, damages, costs, charges, fees, expenses, penalties and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with:
  - (i) any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the Global Offering becomes unconditional;
  - (ii) the implementation of the Reorganisation and/or disposal, transfer or acquisition of the equity interest in any member of our Group since the date of incorporation of each member of our Group and up to the date on which the Global Offering becomes unconditional; and
  - (iii) any non-compliance with the applicable laws, rules or regulations by our Company and/or any member of our Group since the date of incorporation of each member of our Group and up to the date on which the Global Offering becomes unconditional.

The Indemnifiers will, however, not be liable under the Deed of Indemnity to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such liability in the audited consolidated accounts of any member of our Group for the Track Record Period; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Global Offering becomes unconditional; or
- (c) the taxation liability arises in the ordinary course of business of any members of our Group after 30 November 2014 up to and including the date on which the Global Offering becomes unconditional.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands is likely to fall on our Group.

## **2. Litigation**

Our Directors confirmed that save as disclosed in the paragraph headed “Business – Legal Proceedings and Legal Compliance – Legal Proceedings” of this prospectus 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 any member of our Group.

### 3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for listing of and permission to deal in the Shares in issue and to be issued as mentioned herein and any Shares which may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

#### *Sponsor's fees*

The fee payable by our Company to the Sole Sponsor to act as sponsor in relation to the Listing is HK\$4,500,000, and the Sole Sponsor will be reimbursed for their expenses properly incurred in connection with the Global Offering.

### 4. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are estimated to be approximately HK\$38,000 and are payable by our Company.

### 5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

### 6. Qualifications of experts

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

<b>Name</b>	<b>Qualifications</b>
Kingsway Capital Limited	A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
KPMG	Certified Public Accountants
Appleby	Cayman Islands attorneys-at-law
Chan Chung	Barrister-at-law of Hong Kong
Chio Tak Wo	Macau lawyer
Ipsos	Independent industry consultant

**7. Consents of experts**

Each of Kingsway Capital limited, KPMG, Appleby, Chan Chung, Chio Tak Wo and Ipsos has given and has not withdrawn his/its written consent to the issue of this prospectus, with the inclusion of his/its letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or references to its name included herein in the form and context in which they respectively appear.

**8. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**9. Registration procedures**

The principal register of members of our Company in the Cayman Islands will be maintained by Appleby Trust (Cayman) Ltd. and a branch register of members of our Company will be maintained by Tricor Investor Services Limited. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, 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.

**10. No material adverse change**

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company or our subsidiaries since 31 March 2015 (being the date to which the latest audited combined financial statements of our Group were made up) up to the date of this prospectus.



## 11. Particulars of the Selling Shareholders

The following are particulars of the Selling Shareholders:

<b>Name</b>	<b>Description</b>	<b>Address</b>	<b>Number of Sale Shares</b>
Suntecli	a company incorporated in the BVI on 19 September 2014 and is owned as to approximately 94.65%, 1.07%, 1.07%, 1.07%, 1.07% and 1.07% by Mr. WS Lau, Ms. Wong Po Lin, Ms. So, Mr. CS Lau, Mr. CH Lau and Mr. Ian Lau, respectively	NovaSage Chambers, P.O. Box 4389, Road Town, Tortola, British Virgin Islands	56,820,000
Samwood	a company incorporated in the BVI on 3 July 2014 and is owned as to 79% and 21% by Mr. Fong and Mr. Yeung, respectively	NovaSage Chambers, P.O. Box 4389, Road Town, Tortola, British Virgin Islands	23,640,000
Mr. Leung	an executive Director and a Controlling Shareholder	111A Che Keng Tuk Road, 2/F & Roof, Sai Kung, New Territories	19,390,000
Ms. Yeung	a Shareholder holding approximately 0.11% of our issued Shares immediately following completion of the Global Offering	111A Che Keng Tuk Road, 2/F, Sai Kung, New Territories	150,000

## 12. Taxation of holders of Shares

### (a) *Hong Kong*

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

*(b) Cayman Islands*

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.

*(c) Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or parties involved in the Global Offering accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

**13. Miscellaneous**

(a) Save as disclosed in this prospectus:

(i) Within the two years immediately preceding the date of this prospectus:

(aa) no share or loan capital of our Company or any of the subsidiaries has been issued, agreed to be issued or is proposed or intended to be issued fully or partly paid either for cash or for a consideration other than cash;

(bb) 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 or loan capital of our Company or any of the subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries; and

(cc) no commission has been paid or payable (except to sub-underwriter) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any shares or debenture of our Company or any of the subsidiaries;

(ii) no founders, management or deferred shares or any debentures of our Company have been issued or agreed to be issued;

(iii) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;

- (iv) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;
- (v) none of Kingsway Capital limited, KPMG, Appleby, Chan Chung, Chio Tak Wo and Ipsos:
  - (aa) is interested beneficially or non-beneficially in any securities in any member of our Group, including the Shares; or
  - (bb) 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 our Group, including the Shares;
- (vi) our Company and the subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
- (vii) our Directors have been advised that, under Cayman Islands laws, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with the English name does not contravene Cayman Islands laws;
- (viii) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (ix) our Group has no outstanding convertible debt securities; and
- (x) the English text of this prospectus shall prevail over the Chinese text.

#### **14. Bilingual Prospectus**

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

**DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the Application Forms; (ii) the written consents referred to in the paragraph headed “E. Other Information – 7. Consents of experts” in Appendix IV to this prospectus; (iii) copies of the material contracts referred to in the paragraph headed “B. Further Information about the Business – 1. Summary of material contracts” in Appendix IV to this prospectus; and (iv) the list containing particulars of the Selling Shareholders as set out in the paragraph headed “E. Other Information – 11. Particulars of the Selling Shareholders” in Appendix IV to this prospectus.

**DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Loong & Yeung at Suites 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles;
- (b) the accountants’ report of our Group received from KPMG, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information of our Group received from KPMG, the text of which is set out in Appendix II to this prospectus;
- (d) the audited combined financial statements of our Company for the three years ended 31 March 2015;
- (e) the material contracts referred to in the paragraph headed “B. Further Information about the Business – 1. Summary of material contracts” in Appendix IV to this prospectus;
- (f) the service agreements referred to in the paragraph headed “C. Further Information about Substantial Shareholders, Directors and Experts – 2. Particulars of service agreements” in Appendix IV to this prospectus;
- (g) the Share Option Scheme;
- (h) the written consents referred to in the paragraph headed “E. Other Information – 7. Consents of experts” in Appendix IV to this prospectus;

- (i) the Companies Law;
- (j) the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (k) the letter of advice prepared by our Legal Counsel dated the date of this prospectus;
- (l) the letter of advice prepared by the Macau legal advisers to our Company dated the date of this prospectus;
- (m) the Ipsos Report; and
- (n) the list containing the particulars of the Selling Shareholders as set out in the paragraph headed “E. Other Information – 11. Particulars of the Selling Shareholders” in Appendix IV to this prospectus.



**Wan Kei Group Holdings Limited**  
宏基集團控股有限公司