

SHARE OFFER



VICON

VICON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 3878

Sole Sponsor



Sole Bookrunner and Joint Lead Manager



Joint Lead Managers

平安證券有限公司
Ping An Securities Limited



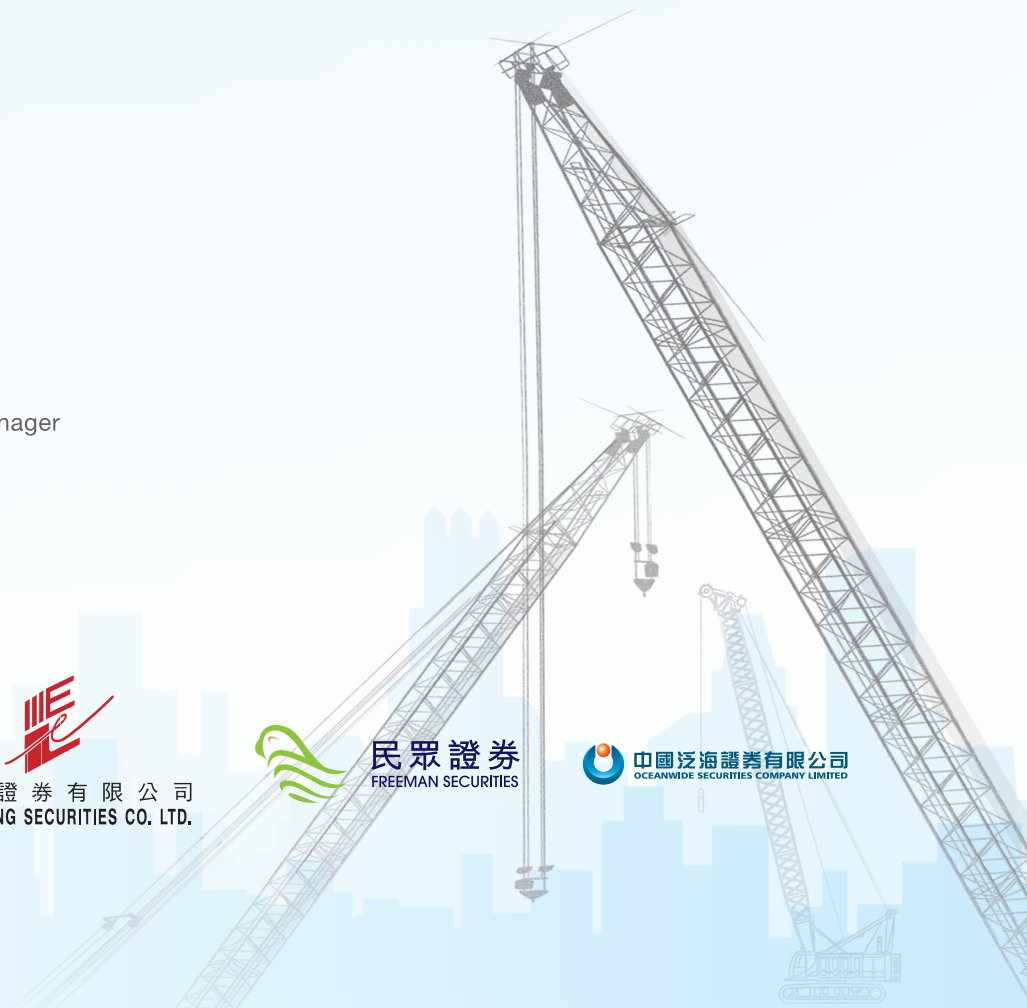
長雄證券有限公司
EVER-LONG SECURITIES CO. LTD.



民眾證券
FREEMAN SECURITIES



中國泛海證券有限公司
OCEANWIDE SECURITIES COMPANY LIMITED



IMPORTANT

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



VICON HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

SHARE OFFER

Number of Offer Shares	:	100,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	10,000,000 Shares (subject to reallocation)
Number of International Offer Shares	:	90,000,000 Shares (subject to reallocation and the Over-allotment Option)
Offer Price	:	Not more than HK\$1.20 for each Offer Share, plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	HK\$0.01 per Share
Stock code	:	3878

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OCEANWIDE SECURITIES COMPANY LIMITED

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

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

The Offer Price is expected to be fixed by agreement between the Sole Bookrunner (for itself and on behalf of the Hong Kong Underwriters) and us on the Price Determination Date, which is expected to be on or around Monday, 18 December 2017 or such later date as may be agreed between the parties, but in any event no later than Tuesday, 19 December 2017. The Offer Price will not be more than HK\$1.2 per Offer Share and is expected to be not less than HK\$1.0 per Offer Share. Investors applying for our Hong Kong Offer Shares must pay the maximum Offer Price of HK\$1.2 per Offer Share, together with brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$1.2 per Offer Share.

The Sole Bookrunner (for itself and on behalf of the Hong Kong Underwriters) may reduce the number of Offer Shares and/or the indicative range of the Offer Price stated above in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, a notice of reduction of the number of Offer Shares and/or the indicative range of the Offer Price will be published in The Standard (in English) and Sing Tao Daily (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. If, for whatever reason, the Sole Bookrunner and us are unable to agree on the Offer Price by Tuesday, 19 December 2017, the Share Offer will not proceed and will lapse.

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

Prospective investors of our Hong Kong Offer Shares should note that the Hong Kong Underwriters are entitled to terminate their obligations under the Hong Kong Underwriting Agreement by notice in writing to us given by the Sole Bookrunner (for itself and on behalf of the Hong Kong Underwriters) upon occurrence of any of the events set forth in the section headed "Underwriting—Underwriting arrangements and expenses—Hong Kong Public Offering—Grounds for termination" in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the date of commencement of dealings in our Shares on the Stock Exchange.

12 December 2017

EXPECTED TIMETABLE⁽¹⁾

Our Company will issue an announcement in Hong Kong to be published in The Standard (in English) and Sing Tao Daily (in Chinese) and on the website of our Company at www.vicon.com.hk and the website of the Stock Exchange at www.hkexnews.hk if there is any change in the following expected timetable of the Share Offer. All times and dates stated below refer to Hong Kong local times and dates. Further information on the Share Offer, including the structure and conditions of the Share Offer, is set forth in the section headed “Structure and Conditions of the Share Offer” in this prospectus.

2017

Hong Kong Public Offering commences and **WHITE**
and **YELLOW** Application Forms available from 9:00 a.m. on Tuesday, 12 December

Latest time to complete electronic applications
under **WHITE Form eIPO** service through
the designated website at www.eipo.com.hk⁽²⁾ 11:30 a.m. on Friday, 15 December

Application Lists open⁽³⁾ 11:45 a.m. on Friday, 15 December

Latest time to lodge **WHITE** and **YELLOW**
Application Forms 12:00 noon on Friday, 15 December

Latest time to give **electronic application Instructions**
to HKSCC⁽⁴⁾ 12:00 noon on Friday, 15 December

Latest time to complete payment of **WHITE Form eIPO**
applications by effecting Internet banking transfer(s)
or PPS payment transfer(s) 12:00 noon on Friday, 15 December

Application Lists close 12:00 noon on Friday, 15 December

Price Determination Date Monday, 18 December

(1) Announcement of the final Offer Price,
the level of the applications in the Hong Kong
Public Offering, the level of indication of interest
in the International Offering and the basis of
allotment of the Hong Kong Offer Shares to be
published in The Standard (in English) and
Sing Tao Daily (in Chinese) on or before Thursday, 21 December

(2) Results of allocations (with successful applicants’
Identification document numbers or Hong Kong
business registration numbers) of the Hong Kong
Public Offering will be available through a variety
of channels as set forth in the section headed
“How to Apply for our Hong Kong Offer Shares”
in this prospectus from Thursday, 21 December

EXPECTED TIMETABLE⁽¹⁾

2017

A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at www.hkexnews.hk⁽⁶⁾ and our Company's website at www.vicon.com.hk⁽⁷⁾ from Thursday, 21 December

Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk with a "search by ID function" from Thursday, 21 December

Despatch of White Form e-Refund payment instructions/refund cheques in respect of wholly successful (if applicable) and wholly and partially unsuccessful applications under the Hong Kong Public Offering on or before⁽⁸⁾⁽⁹⁾ Thursday, 21 December

Despatch of Share certificates of our Offer Shares or deposit of Share certificates of Offer Shares into CCASS in respect of wholly or partially successful applications under the Hong Kong Public Offer on or before⁽⁵⁾⁽⁹⁾ Thursday, 21 December

Dealings in Shares on the Stock Exchange expected to commence at 9:00 a.m. on Friday, 22 December

Notes:-

- (1) All times refer to Hong Kong local time.
- (2) You will not be permitted to submit your application to the **White Form eIPO** Service Provider through the designed website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the Application Lists close.
- (3) If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force at any time between 9:00 a.m. and 12:00 noon on Friday, 15 December 2017, the Application Lists will not open and close on that day. Further information is set forth in the section headed "How to Apply for our Hong Kong Offer Shares—Effect of bad weather on the opening of the Application Lists" in this prospectus. If the Application Lists do not open and close on Friday, 15 December 2017, the dates mentioned in this prospectus may be affected. An announcement will be made by us in such event.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for our Hong Kong Offer Shares—Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus.
- (5) **Share certificates for our Offer Shares will only become valid certificates of title at 8:00 a.m. on Friday, 22 December 2017 provided that (i) the Share Offer has become unconditional in all respects and (ii) the Underwriting Agreements have not been terminated in accordance with its terms.**
- (6) The announcement will be available for viewing on the Stock Exchange's website at www.hkexnews.hk.

EXPECTED TIMETABLE⁽¹⁾

- (7) Neither our Company's website nor any of the information contained on our website forms part of this prospectus.
- (8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant's Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant's Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant's Hong Kong identity card number or passport number may lead to delays in encashment of, or may Invalidate, the refund cheque.
- (9) Applicants who have applied on **WHITE** Application Forms for 1,000,000 or more Hong Kong Offer Shares and have provided all required information may collect any refund cheques and Share certificates in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, between 9:00 a.m. to 1:00 p.m. on Thursday, 21 December 2017. Applicants being individuals who are eligible for collection in person may not authorise any other person to make collection on their behalf. Applicants being corporations who are eligible for collection in person must attend by their authorised representatives bearing letters of authorisation from their corporation stamped with the corporation's chop. Both individuals and authorised representatives of corporations must produce, at the time of collection, identification and (where applicable) authorisation documents acceptable to our Hong Kong Share Registrar.

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares and have provided all required information may collect their refund cheques, if any, in person but may not collect their Share certificate as such Share certificates will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied through the **WHITE Form eIPO** service for 1,000,000 or more Hong Kong Offer Shares can collect their Share certificate (if any) in person from our Hong Kong Share Registrar between 9:00 a.m. to 1:00 p.m. on Thursday, 21 December 2017. For applicants who apply through the **WHITE Form eIPO** service and paid the application monies from a single bank account, e-Refund payment instructions (if any) will be despatched to their application payment bank account on or before Thursday, 21 December 2017. For applicants who apply through the **WHITE Form eIPO** service and used multi-bank accounts to pay the application monies, refund cheque (if any) will be despatched to the address specified in their electronic application instruction to the **WHITE Form eIPO** Service Provider on or before Thursday, 21 December 2017.

Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for our Hong Kong Offer Shares" in this prospectus. Uncollected Share certificates and/or refund cheques will be despatched by ordinary post, at the applicants' own risk to the addresses specified in the relevant applications. Further information is set forth in the section headed "How to Apply for our Hong Kong Offer Shares—Applying through White Form eIPO Service" in this prospectus.

EXPECTED TIMETABLE⁽¹⁾

Prospective investors of our Offer Shares should note that the Hong Kong Underwriters are entitled to terminate their obligations under the Hong Kong Underwriting Agreement by notice in writing to us given by the Sole Bookrunner (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set forth in the section headed “Underwriting — Underwriting arrangements and expenses — Hong Kong Public Offering — Grounds for termination” in this prospectus at any time prior to 8:00 a.m. (Hong Kong time) on the date of commencement of dealings in our Shares on the Stock Exchange.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than our Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. 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 our Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of our Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

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. Any information or representation not contained nor made in this prospectus and the Application Forms must not be relied on by you as having been authorised by us, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Co-Lead Manager and any of our or their respective directors, officers, employees, agents or representatives or any other parties involved in the Share Offer.

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SUMMARY AND HIGHLIGHTS

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

There are risks associated with any investment. Some of the particular risks in investing in our Hong Kong Offer Shares are set forth in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in our Hong Kong Offer Shares. Various expressions used in this section are defined or explained in the section headed “Definitions” in this prospectus.

OVERVIEW

We are a specialist foundation contractor and focus on design-and-build foundation projects in Hong Kong private sector. Our foundation projects involve different types of construction works, such as piling construction, ELS works and pile cap construction. Our Directors believe that our competitive strengths in the foundation contracting industry in Hong Kong lie mainly in our experience in completing foundation projects involving complicated foundation and engineering designs. We are also able to develop alternative and cost-efficient foundation design proposals for the design-and-build foundation projects awarded to us.

Vicon Construction is registered with the Buildings Department as a *Registered Specialist Contractor — Foundation Works* and *Registered General Building Contractor*. During the Track Record Period, most of our revenue was generated from the construction works for design-and-build foundation projects. Our Directors therefore consider that we are a specialist foundation contractor.

During the Track Record Period, we have grown from a sub-contractor to a main contractor in undertaking foundation projects. We have completed 12 foundation projects during the Track Record Period, of which three were targeted foundation projects acting as sub-contractor. In February 2016, we first acted as a main contractor in a foundation project. As of the Latest Practicable Date, we were undertaking seven foundation projects as main contractor and 18 foundation projects as sub-contractor.

In September 2017, we were awarded the Macau project in the total contract sum of HK\$52.8 million. The construction work for the Macau project will commence in the first quarter of 2018. No revenue was generated from the Macau project during the Track Record Period. We have 13 foundation projects on hand as of the Latest Practicable Date. The contract sum of these foundation projects amounted to HK\$631.1 million and the estimated amount of revenue expected to be generated from these foundation projects during the seven months ending 31 March 2018 and the year ending 31 March 2019, based on the relevant contractual documents, is HK\$198.0 million and HK\$60.7 million, respectively.

SUMMARY AND HIGHLIGHTS

The following table sets forth an analysis of our revenue by nature and the number of foundation projects undertaken by us during the Track Record Period and based on the information as of the Latest Practicable Date, for the seven months ending 31 March 2018 and the year ending 31 March 2019:

	Year ended 31 March				Five months ended 31 August		Seven months ending 31 March						
	2015		2016		2017		2018		2019				
	Number of projects with revenue recognised	Revenue recognised	Number of projects with revenue recognised	Revenue recognised	Number of projects with revenue recognised	Revenue recognised	Number of projects with revenue expected to be recognised	Revenue expected to be recognised	Number of projects with revenue expected to be recognised	Revenue expected to be recognised			
		HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%		
Design-and-build foundation projects	3	268,474	97.0	4	281,323	86.9	56.2	4	143,291	72.4	1	15,799	26.0
Build-only foundation projects	3	8,278	3.0	8	42,240	13.1	43.8	9	54,701	27.6	1	44,910	74.0
Total	6	276,752	100.0	12	323,563	100.0	100.0	13	197,992	100.0	2	60,709	100.0

SUMMARY AND HIGHLIGHTS

OUR COMPETITIVE STRENGTHS

Our Directors believe that we have a number of competitive strengths that differentiates ourselves from our competitors. These competitive strengths include (a) we are experienced in completing foundation projects involving complicated foundation and engineering designs; (b) we have strong capability to develop alternative and cost-efficient foundation design proposals; (c) we have strong in-house design capability; (d) we have stringent quality control and established management procedures; and (e) we have strong management team with extensive experience and technical know-how. Further information on our competitive strengths is set forth in the section headed “Business — Our competitive strengths” from page 91 to page 94 in this prospectus.

OUR BUSINESS STRATEGIES

Our business objective is to become a contractor with primary focus on the design and build foundation projects in Hong Kong private and public sectors. For the purpose of achieving this business objective, we intend to implement the business strategies of (a) focusing on sizeable design-and-build projects; (b) developing and strengthening our role and our capability as main contractor; and (c) exploring the business opportunities in Hong Kong public sector. Further information on our business strategies is set forth in the section headed “Business — Our business strategies” from page 94 to page 96 in this prospectus.

OUR BUSINESS

Our services

We undertake foundation projects in Hong Kong private sector with focus on design-and-build foundation projects. Our foundation projects involve different types of construction works, including piling construction, ELS works and pile cap construction. Our customers in Hong Kong private sector include property developers, project owners and their main contractors. We are growing from a sub-contractor to more in the capacity as a main contractor focusing on targeted design-and-build foundation projects. During the Track Record Period, the total contract sum of the foundation projects undertaken by us was in the range between HK\$0.2 million and HK\$337.1 million. We acted as the main contractor in one, five and six foundation projects during the two years ended 31 March 2017 and the five months ended 31 August 2017, respectively, with a total contract sum of HK\$38.0 million and HK\$88.1 million and HK\$162.4 million, respectively.

SUMMARY AND HIGHLIGHTS

Our foundation projects with revenue contribution during the Track Record Period and foundation projects on hand as of the Latest Practicable Date

During the Track Record Period, we undertook 24 foundation projects in Hong Kong private sector. In September 2017, we were awarded the Macau project which will commence the construction work in the first quarter of 2018. There was no revenue generated from the Macau project during the Track Record Period.

The following table sets forth further information on our foundation projects with revenue contribution during the Track Record Period and foundation projects in progress as of the Latest Practicable Date and their revenue contribution and for the seven months ending 31 March 2018 and the year ending 31 March 2019.

No.	Location of the foundation projects	Project duration ⁽¹⁾	Design-and-build/Build-only projects	Agreed type of construction works involved	Our role as main contractor(M)/sub-contractor(S)	Revenue recognised during the Track Record Period				Revenue expected to be recognised for the seven months ending 31 March 2018	Revenue expected to be recognised for the year ending 31 March 2019
						Year ended 31 March		Five months ended 31 August 2017	HK\$'000		
						2015	2016				
						Contract sum	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(1)	Mid-Levels project . . .	2013-second quarter to 2016-second quarter	Design-and-Build	ELS, pile cap and basement construction	S	133,560	57,662	55,841	3,052	—	—
(2)	North Point project . . .	2013-third quarter to 2015-third quarter	Design-and-Build	ELS and pile cap construction	S	337,112	210,555	86,427	5,215	1,107	—
(3)	Yuen Long 1 project . . .	2015-first quarter to 2016-second quarter	Design-and-Build	Foundation, ELS and pile cap construction	S	142,772	257	127,109	15,406	—	—
(4)	Tuen Mun 1 project . . .	2015-third quarter to 2018-first quarter	Design-and-Build	Foundation, ELS, site formation and pile cap construction	S	166,978	—	11,946	113,270	34,608	7,154
(5)	Lantau 1 project	2017-first quarter to 2018-first quarter	Design-and-Build	Foundation, ELS, pile cap construction, demolition and drainage works	S	94,516	—	—	8,440	27,506	58,570
(6)	Wanchai 1 project	2017-first quarter to 2018-first quarter	Design-and-Build	Foundation, ELS and pile cap construction	M	40,500	—	—	2,761	13,933	23,806
(7)	Lantau 2 project	2014-third quarter to 2015-third quarter	Build-only	Site formation, ELS and foundation works	S	4,883	4,541	342	—	—	—

SUMMARY AND HIGHLIGHTS

No.	Location of the foundation projects	Project duration ⁽¹⁾	Design-and-build/Build-only projects	Agreed type of construction works involved	Our role as main contractor(M)/sub-contractor(S)	Revenue recognised during the Track Record Period					Revenue expected to be recognised for the seven months ending 31 March 2018	Revenue expected to be recognised for the year ending 31 March 2019		
						Year ended 31 March		Five months months ended 31 August 2017	Contract sum	HK\$'000			HK\$'000	HK\$'000
						2015	2016							
						HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
(8)	Lantau 3 project . . .	2014-fourth quarter to 2015-third quarter	Build-only	ELS and foundation works	S	5,519	3,737	1,782	—	—	—	—		
(9)	Ma On Shan project . .	2015-second quarter to 2015-third quarter	Build-only	Grouting works	S	9,946	—	9,946	—	—	—	—		
(10)	Sham Shui Po project .	2016-first quarter to 2016-second quarter	Build-only	Drainage works	S	865	*	865	—	—	—	—		
(11)	Tuen Mun 2 project . .	2015-third quarter to 2017-third quarter	Build-only	ELS and pile cap construction	S	45,566	—	9,821	19,960	15,785	—	—		
(12)	Tuen Mun 3 project . .	2015-third quarter to 2017-first quarter ⁽²⁾	Build-only	Bored piling	S	22,266	—	14,353	7,641	272	—	—		
(13)	Yau Tong project . . .	2015-fourth quarter to 2016-second quarter	Build-only	Bored piling	S	5,142	—	4,252	890	—	—	—		
(14)	The Peak project . . .	2016-first quarter to 2017-fourth quarter	Build-only	Foundation, ELS and site formation works	M	38,000	—	879	17,701	5,561	13,859	—		
(15)	Southern 1 project . .	2016-second quarter to 2017-fourth quarter	Build-only	Foundation, ELS, site formation and pile cap construction	S	88,000	—	—	47,001	13,499	27,500	—		
(16)	Tuen Mun 4 project . .	2016-second quarter to 2016-third quarter	Build-only	Ground investigation	M	242	—	—	242	*	—	—		
(17)	Central 1 project . . .	2016-second quarter to 2017-first quarter	Build-only	Street scape enhancement	S	1,300	—	—	1,300	—	—	—		
(18)	Central 2 project . . .	2016-second quarter to 2017-second quarter	Build-only	Street scape enhancement	S	2,900	—	—	2,436	437	27	—		
(19)	Tuen Mun 5 project . .	2016-third quarter to 2016-fourth quarter	Build-only	Hoarding works and ground investigation	M	1,288	—	—	1,288	—	—	—		
(20)	Tseung Kwan O project	2016-fourth quarter to 2017-first quarter	Build-only	Formation of vehicular access road works	M	8,027	—	—	7,440	179	408	—		
(21)	Yuen Long 2 project .	2017-first quarter to 2017-third quarter	Build-only	ELS and underground water tank works	S	10,000	—	—	7,521	1,545	934	—		
(22)	Wanchai 2 project . . .	2017-first quarter to 2017-third quarter	Build-only	Pipe piling and grouting works	S	8,192	—	—	1,907	2,803	3,482	—		

SUMMARY AND HIGHLIGHTS

No.	Location of the foundation projects	Project duration ⁽¹⁾	Design-and-build/Build-only projects	Agreed type of construction works involved	Our role as main contractor(M)/sub-contractor(S)	Revenue recognised during the Track Record Period					Revenue expected to be recognised for the seven months ending 31 March 2018	Revenue expected to be recognised for the year ending 31 March 2019	
						Year ended 31 March		Five months months ended 31 August 2017	Year ended 31 March				HK\$'000
						2015	2016		2017	2017			
						Contract sum	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(23)	Tuen Mun 6 project	2017-second quarter to 2018-second quarter	Design-and-build	Foundation, ELS, site demolition and pile cap construction	M	75,000	—	—	5,440	53,761	15,799	(Unaudited)	
(24)	Southern 2 project	2017-second quarter to 2017-second quarter	Build-only	Ground investigation	M	626	—	—	61	565	—	(Unaudited)	
(25)	Macau project	2018-first quarter to 2018-fourth quarter	Build-only	Bored piling	S	52,836	—	—	—	7,926	44,910	(Unaudited)	
Total						1,296,036	276,752	323,563	122,736	197,992	60,709	(Unaudited)	

Notes:

(1) Project duration refers to the period from the date of commencement of the relevant foundation project to the expected completion date set forth in the relevant initial agreement which may be extended by subsequent construction program.

(2) We have completed the construction works stipulated in the relevant contract which are subject to the receipt in the practical completion certificate. As such, we consider that this project has been completed.

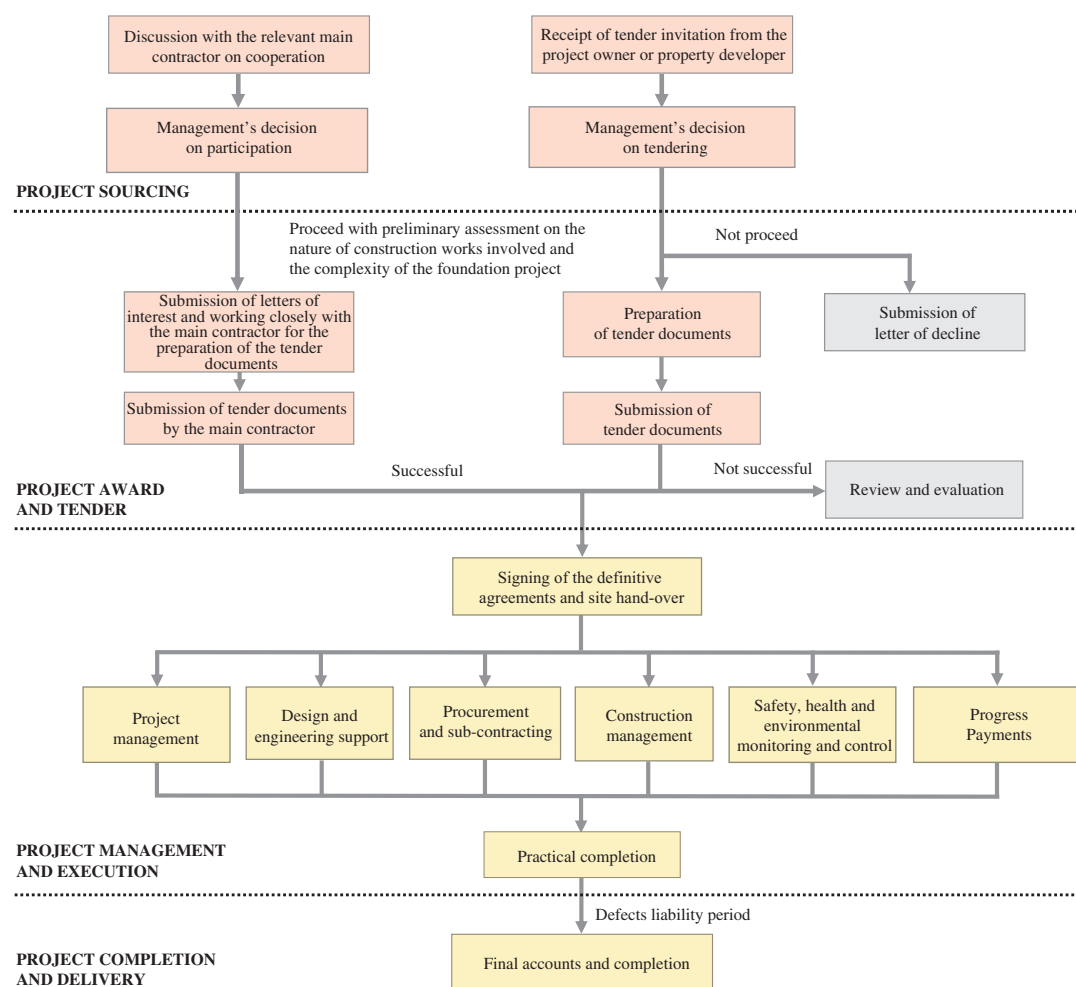
* Value insignificant

SUMMARY AND HIGHLIGHTS

We have 13 foundation projects on hand as of the Latest Practicable Date. The contract sum of these foundation projects amounted to HK\$631.1 million and the estimated amount of revenue expected to be generated from these foundation projects during the seven months ending 31 March 2018 and the year ending 31 March 2019, based on the relevant contractual documents, is HK\$198.0 million and HK\$60.7 million, respectively.

Our business procedures

The following diagram illustrates the key stages involved in these two business operations:



DIFFERENCES BETWEEN MAIN CONTRACTORS AND SUB-CONTRACTORS IN HONG KONG PRIVATE AND PUBLIC SECTORS

Our business is undertaking foundation projects in Hong Kong private sector acting as main contractor and sub-contractor. One of our business strategies is to explore business opportunities in Hong Kong public sector. The differences between the roles of main contractors and sub-contractors in Hong Kong private and public sectors in different aspects is set forth in the section headed "Business — Differences between main contractors and sub-contractors in Hong Kong private and public sectors" from page 97 to 99 in this prospectus.

SUMMARY AND HIGHLIGHTS

FINANCIAL AND OPERATIONAL INFORMATION

The following sets forth our combined audited statements of comprehensive income during the Track Record Period:

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Revenue.....	276,752	323,563	263,471	70,754	122,736
Cost of sales.....	<u>(241,062)</u>	<u>(266,246)</u>	<u>(215,064)</u>	<u>(58,197)</u>	<u>(104,687)</u>
Gross profit.....	35,690	57,317	48,407	12,557	18,049
Other income and gains, net ...	5,778	1,731	1,110	301	70
Professional fees incurred for initial public offering.....	—	(8,079)	(3,040)	—	(4,524)
Other administrative expenses.	<u>(9,954)</u>	<u>(10,257)</u>	<u>(7,561)</u>	<u>(3,793)</u>	<u>(4,335)</u>
Operating profit.....	31,514	40,712	38,916	9,065	9,260
Finance income.....	—	63	122	53	50
Finance costs	<u>(383)</u>	<u>(1,986)</u>	<u>(2,361)</u>	<u>(724)</u>	<u>(1,386)</u>
Finance costs, net.....	(383)	(1,923)	(2,239)	(671)	(1,336)
Profit before income tax	31,131	38,789	36,677	8,394	7,924
Income tax expense	<u>(5,097)</u>	<u>(7,723)</u>	<u>(6,489)</u>	<u>(1,571)</u>	<u>(2,105)</u>
Profit and total comprehensive income for the year attributable to equity holders of our Company.....	<u>26,034</u>	<u>31,066</u>	<u>30,188</u>	<u>6,823</u>	<u>5,819</u>

The amount of revenue during the Track Record Period changed with the number of foundation projects undertaken by us and the substantial completion of three targeted foundation projects, namely the Mid-Levels project, the North Point project and Yuen Long 1 project, during the financial year ended 31 March 2016. During the year ended 31 March 2017, we focused on the foundation projects in the capacity as main contractor, and most of these foundation projects can only be completed during the year ending 31 March 2018. The changes in the amount of revenue during the Track Record Period affected the amount of gross profit as well as the gross profit margin. The increase in the gross profit margin to 17.7% during the year ended 31 March 2016 was mainly due to the substantial completion of the targeted foundation projects. We undertook more foundation projects in the capacity as main contractor during the year ended 31 March 2017 and the five months ended 31 August 2017 which are mainly build only foundation projects. The gross profit margin during the year ended 31 March 2017 was 18.4%, but decrease during the five months ended 31 August 2017 to 14.7%. The decrease was

SUMMARY AND HIGHLIGHTS

primarily due to the decrease in the amount of revenue contributed by the target foundation projects. Further information on the analysis is set forth in the section headed “Financial Information — Components of our combined audited statements of comprehensive income” from page 210 to 224 in this prospectus.

For foundation projects acting as main contractor, the amount of gross profit was nil, HK\$0.2 million and HK\$4.6 million during the three years ended 31 March 2017, respectively. During the five months ended 31 August 2016 and 2017, the amount of gross profit for foundation projects acting as main contractor amounted to HK\$1.1 million and HK\$4.3 million, respectively. Our gross profit margin was nil, 20.0% and 15.5% for the three years ended 31 March 2017, respectively, and 20.0% and 17.0% for the five months ended 31 August 2016 and 2017, respectively. For foundation projects acting as sub-contractor, the amount of gross profit was HK\$35.7 million, HK\$57.1 million and HK\$43.8 million during the three years ended 31 March 2017, respectively. During the five months ended 31 August 2016 and 2017, the amount of gross profit for foundation projects acting as sub-contractor amounted to HK\$11.5 million and HK\$13.8 million, respectively. Our gross profit margin was 12.9%, 17.7% and 18.7% for the three years ended 31 March 2017, respectively. Our gross profit margin was 17.6% and 14.1% for the five months ended 31 August 2016 and 2017, respectively.

For design-and-build foundation projects, the amount of gross profit amounted to HK\$32.8 million, HK\$56.0 million and HK\$36.2 million for three years ended 31 March 2017, respectively. During the five months ended 31 August 2016 and 31 August 2017, the amount of gross profit for design-and-build foundation projects amounted to HK\$10.8 million and HK\$14.8 million, respectively. Our gross profit margin was 12.2%, 19.9% and 24.4% for the three years ended 31 March 2017, respectively, and 21.9% and 17.9% for the five months ended 31 August 2016 and 2017, respectively. For build-only foundation projects, the gross profit was HK\$2.9 million, HK\$1.3 million and HK\$12.2 million for the three years ended 31 March 2017, respectively. During the five months ended 31 August 2016 and 31 August 2017, the amount of gross profit for build-only foundation project amounted to HK\$1.7 million and HK\$3.3 million, respectively. Our gross profit margin was 35.4%, 3.1% and 10.6% for the three years ended 31 March 2017, respectively, and 8.1% and 8.2% for the five months ended 31 August 2016 and 2017, respectively. The gross profit margin for build-only foundation projects for the year ended 31 March 2015 was 35.4%, which is higher than those for the two years ended 31 March 2017, primarily attributable to the fact that we mainly provided project management services with no significant involvement in the construction works in most of the build-only foundation projects for the year ended 31 March 2015. As such, our costs incurred in the build-only foundation projects for the year ended 31 March 2015 were relatively low as compared with the costs for the two years ended 31 March 2017, in which we incurred subcontracting costs and material costs, etc.

Our balance sheet reflected the business growth during the Track Record Period with the net assets increased from HK\$71.4 million as of 31 March 2015, to HK\$102.5 million as of 31 March 2016, to HK\$132.7 million as of 31 March 2017 and further to HK\$138.5 million as of 31 August 2017. Further information on our financial position is set forth in the section headed “Financial Information” from page 197 to 264 in this prospectus.

SUMMARY AND HIGHLIGHTS

KEY FINANCIAL RATIOS

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
				(Unaudited)	
Gross profit margin (%)	12.9	17.7	18.4	17.7	14.7
Net profit margin (%)	9.4	9.6	11.5	9.6	4.7
Return on equity ⁽¹⁾ (%)	36.4	30.3	22.8	5.6	4.2
Return on total assets ⁽¹⁾ (%)	18.3	15.9	10.8	3.1	2.2

Note:

- (1) The return on total asset is based on the profit attributable to owners of our Company for the year/period divided by the total equity/total assets as of the end of the year/period and multiplied by 100%.

	As of 31 March			As of 31 August
	2015	2016	2017	2017
Gearing ratio (%)	38.1	24.6	44.1	47.5
Current ratio (times)	1.9	1.5	1.3	1.4

Further information on the above financial ratios is set forth in the section headed “Financial Information — Key financial ratios” from page 257 to page 258 in this prospectus.

CUSTOMERS, SUPPLIERS AND SUB-CONTRACTORS

Customers

During the Track Record Period, our revenue was derived from foundation projects. We mainly acted as the sub-contractor for foundation projects. Our customers include main contractors, project owners and property developers. All of our customers are located in Hong Kong.

The amount of revenue generated from our five largest customers amounted to HK\$276.8 million, HK\$323.6 million and HK\$257.3 million during the three years ended 31 March 2017, respectively, representing the entire amount of our revenue during the two years ended 31 March 2016 and 97.6% of our revenue during the year ended 31 March 2017. During the five months ended 31 August 2016 and 2017, the amount of revenue generated from our five largest customers was HK\$70.8 million and HK\$114.3 million, respectively, representing 100% and 93.1% of our revenue, respectively. All of the above five largest customers are Independent Third Parties and none of our Directors, their respective associates or any shareholders who own more than five per cent. of our issued share capital, to the knowledge of our Directors, had any interest in any of the above five largest customers during the Track Record Period.

SUMMARY AND HIGHLIGHTS

Willey Construction was one of our major customers for the year ended 31 March 2016, there was a significant decrease in revenue generated from Willey Construction from 99.9% in 2015 to 52.4% in 2016 to 32.9% in 2017 and 25.3% for the five months ended 31 August 2017. The decrease was due to the fact that we have a larger customer base and our strategy to become a main contractor.

Further information on our customers is set forth in the section headed “Business — Customers” from page 125 to page 138 in this prospectus.

Suppliers

Our suppliers are suppliers of construction materials, parts and consumables. Major construction materials used by us include concrete, reinforcement bar, structural steel and other construction materials which are sourced by us in Hong Kong. We incurred HK\$13.5 million, HK\$14.9 million and HK\$46.3 million during the three years ended 31 March 2017, respectively, in the cost of construction materials, parts and consumables, representing 5.6%, 5.6% and 21.5% of our total cost of sales for the same period. During the five months ended 31 August 2016 and 2017, the cost of construction materials, parts and consumables amounted to HK\$13.1 million and HK\$34.7 million, respectively, representing 22.6% and 33.2% of our total cost of sales, respectively.

During the three years ended 31 March 2017, costs of construction materials paid to our largest supplier (excluding our sub-contractors) amounted to HK\$8.0 million, HK\$2.8 million and HK\$16.3 million, respectively, representing 3.3%, 1.0% and 7.6% of our total cost of sales and the costs of construction materials paid to our five largest suppliers (excluding our sub-contractors) amounted to HK\$13.5 million, HK\$7.3 million and HK\$28.6 million, respectively, representing 5.6%, 2.6% and 13.3% of our total cost of sales, respectively. During the five months ended 31 August 2017, costs of construction materials paid to our largest supplier (excluding our sub-contractors) amounted to HK\$4.2 million and HK\$7.8 million, respectively, representing 7.2% and 7.5% of our total cost of sales, respectively. Costs of construction materials paid to our five largest suppliers (excluding our sub-contractors) amounted to HK\$7.2 million and HK\$26.1 million, respectively, representing 12.3% and 25.0% of our total cost of sales, respectively.

So far as is known to our Directors, none of our Directors, their respective associates or any Shareholder who owns more than five per cent. of the issued share capital of our Company had any interest in any of our five largest suppliers during the Track Record Period. All these five largest suppliers are Independent Third Parties.

Further information on our suppliers is set forth in the section headed “Business — Suppliers” from page 138 to page 143 in this prospectus.

Sub-contractors

During the two years ended 31 March 2016, we sub-contracted most of our construction works to specialised sub-contractors. Such sub-contracting works include ELS works, site formation, pile cap construction, lab-testing, piling works, lateral support works, formwork erection works, reinforcement bar fixing works, welding and concreting works and other miscellaneous works. We purchased new machinery during the two years ended 31 March 2017 and hence, we have started completing the construction works and reduced the amount of sub-contracting charges. Our sub-contracting charges during the three years ended 31 March 2017 amounted to HK\$190.8 million,

SUMMARY AND HIGHLIGHTS

HK\$209.4 million and HK\$107.3 million, respectively, representing 79.1%, 78.7% and 49.9% of our total cost of sales during the same period. During the five months ended 31 August 2016 and 2017, the amount of sub-contracting charges was HK\$21.5 million and HK\$38.6 million, respectively, representing 37.0% and 36.9% of our total cost of sales during the same period.

Further information on our sub-contractors is set forth in the section headed “Business — Sub-contractors” from page 143 to page 148 in this prospectus.

INTER-RELATIONSHIP BETWEEN SUB-CONTRACTORS AND CUSTOMERS

During the Track Record Period, New Concepts was one of our sub-contractors was also our customer. New Concepts is an Independent Third Party and a wholly-owned subsidiary of a company listed on the Stock Exchange. New Concepts has become one of the leading contractors in Hong Kong construction industry.

New Concepts was one of our major sub-contractors during the two years ended 31 March 2016 for two targeted foundation projects, namely the Mid-Levels project and the North Point project. The amount of the sub-contracting charges paid by us to New Concepts amounted to HK\$121.5 million and HK\$75.6 million, respectively, and New Concepts was our largest and our second-largest sub-contractor during the two years ended 31 March 2016, respectively. Following completion of the Mid-Levels project and the North Point project, New Concepts has not submitted tenders to us as our sub-contractor, and our Directors believe that it was because of the availability of their resources.

New Concepts was one of our major customers during the two years ended 31 March 2017. New Concepts was our third largest customer for the year ended 31 March 2016 and the largest customer for the year ended 31 March 2017 and for the five months ended 31 August 2017, representing 5%, 43.3% and 28.2% of our total revenue, respectively. Due to our larger customer base, the percentage of revenue generated from New Concepts to our total revenue decreased from 43.3% for the year ended 31 March 2017 to 28.2% for the five months ended 31 August 2017. During the five months ended 31 August 2017, we have not submitted any tender to New Concepts acting for its sub-contractors in foundation projects.

Our Directors confirm that the involvement of New Concepts, as one of our sub-contractors and customers, in the foundation projects awarded to us has been determined following due process and due consideration and based on genuine business needs. The business cooperation with the sub-contractor is in our ordinary course of business. All business terms and conditions on cooperation with the sub-contractor, as one of the sub-contractors in our approved list of sub-contractors and one of our customers, have been negotiated on an arm’s length basis and upon normal commercial terms.

Further information on the relationship between the sub-contractor and us is set forth in the section headed “Business — Inter-relationship between our customers and sub-contractors” from page 148 to page 152 in this prospectus.

REASONS FOR THE LISTING, FUTURE PLANS AND PROPOSED USE OF NET PROCEEDS FROM THE SHARE OFFER

Further information on our reasons for the Listing is set forth in the section headed “Reasons for the Listing, Future Plans and Proposed Use of Net Proceeds from the Share Offer” from page 265 to page 273 in this prospectus.

SUMMARY AND HIGHLIGHTS

Our Directors estimate that we will receive net proceeds from the Share Offer of HK\$73.0 million based on the mid-point of the indicative range of the Offer Price and assuming that the Over-allotment Option is not exercised. We intend to use the net proceeds from the Share Offer for the following purposes:

- HK\$30.0 million, or 41.0% of the total net proceeds from the Share Offer, will be used for financing the issue of surety bonds;
- HK\$15.4 million, or 21.1% of the total net proceeds from the Share Offer, will be used for the purchase of various machinery for our foundation business in Hong Kong private and public sectors;
- HK\$12.3 million, or 16.9% of the total net proceeds from the Share Offer, will be used for early repayment of financial lease liabilities incurred for the purchase of cranes and oscillators which will be due for the full repayment in December 2021;
- HK\$7.5 million, or 10.3% of the total net proceeds from the Share Offer, will be used for the expansion of our in-house design team by recruiting two senior qualified professional engineers, two assistant engineers, a quantity surveyor and an assistant quantity surveyor;
- HK\$0.5 million or 0.7% of the total net proceeds from the Share Offer will be used to purchase additional licensed rights of selected professional construction design and analytical computer software currently used by our Group; and
- HK\$7.3 million, or 10.0% of the total net proceeds from the Share Offer, will be used for our working capital and other corporate purposes.

Further information is set forth in the section headed “Reasons for the Listing, Future Plans and Proposed Use of Net Proceeds from the Share Offer” from page 265 to page 273 in this prospectus.

OUR CONTROLLING SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme), we have the following Controlling Shareholders:

Name of Shareholders	Capacity/Nature of interest	Immediately after completion of the Share Offer and the Capitalisation Issue	
		Number of Shares	%
VGH	Beneficial owner	210,000,000	52.5
Mr. CHOW	Interest in a controlled corporation	210,000,000	52.5

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Further information on our Controlling Shareholders is set forth in the section headed “Controlling Shareholders and Substantial Shareholders” on page 186 in this prospectus.

DIVIDENDS

We did not declare and pay any dividend during the Track Record Period and hence, there was no dividend pay-out ratio. No dividend was declared and paid during Track Record Period and no dividend policy was adopted by us up to Latest Practicable Date. After completion of the Share Offer and the Capitalisation Issue, our Shareholders will be entitled to receive dividends declared by our Company.

Any amount of dividends to be declared and paid by our Company will be at the discretion of our Directors taking into consideration our future operations and earnings, our business development, capital requirements and surplus, general financial conditions, contractual restrictions and such other factors as our Directors consider appropriate. Any declaration and payment as well as the amount of dividends will be subject to the Articles and the Cayman Companies Law. Any declaration of final dividends will also require the approval of our Shareholders in general meeting. No dividend shall be declared or paid except our of our distributable profit and lawfully available for distribution under the Cayman Companies Law.

OFFER STATISTICS

Offer size	Initially 100,000,000 Shares, representing 25.0% of the enlarged number of Shares in issue (subject to the Over-allotment Option)
Offer structure	90% International Offering and 10% Hong Kong Public Offering (subject to re-allocation and the Over-allotment Option)
Over-allotment Option	Up to 15% of the initial number of our Offer Shares
Offer Price	HK\$1.0 to HK\$1.2 per Share

	<u>Based on the low end of the indicative range of the Offer Price of HK\$1.0</u>	<u>Based on the high end of the indicative range of the Offer Price of HK\$1.2</u>
Market capitalisation of our Shares ⁽¹⁾	HK\$400.0 million	HK\$480.0 million
Pro forma adjusted combined net tangible asset value for each Share ⁽²⁾	HK\$0.54	HK\$0.59

Notes:

- (1) All statistics in this table are based on the assumption that the Over-allotment Option is not exercised. The calculation of the market capitalisation is based on 400,000,000 Shares which are expected to be issued and outstanding immediately following completion of the Share Offer and the Capitalisation Issue without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option.
- (2) The unaudited pro forma adjusted combined net tangible assets per Share is based on 400,000,000 Shares, being the number of Shares expected to be in issue immediately following completion of shares of the Share Offer and the Capitalisation Issue without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option.

SUMMARY AND HIGHLIGHTS

LISTING EXPENSES

Assuming that the Over-allotment Option is not exercised, the total amount of expenses incurred for the Listing is estimated to be HK\$37.0 million (based on the mid-point of the indicative range of the Offer Price of HK\$1.1), of which HK\$8.1 million, HK\$3.0 million and HK\$4.5 million had been charged to our profit or loss for the two years ended 31 March 2017 and the five months ended 31 August 2017, respectively, and HK\$12.4 million is expected to be charged to our profit or loss for the seven months ending 31 March 2018 and HK\$9.0 million is expected to be accounted for as a deduction from equity upon the Listing.

Our Directors consider that our operating results will be affected by such expenses. Accordingly, the financial performance for the year ending 31 March 2018 is expected to be affected by these expenses in relation to the Listing.

PRINCIPAL RISK FACTORS

There are risks associated with investment in our Shares, which may be broadly categorised into (a) risks relating to our business; (b) risks relating to the foundation contracting industry in Hong Kong; and (c) risks relating to the Share Offer. We believe that our major risks include: (1) our business is project-based and our revenue relies on successful award of foundation projects; (2) our profit margins may not be indicative of our future profitability; (3) we rely on our executive Directors and senior management team; (4) we make estimate of our project costs and any failure to estimate the projects costs accurately and/or delay in completion of any foundation project could lead to cost overruns or even result in loss.

Further information on the risk factors is set forth in the section headed “Risk Factors” from page 17 to page 33 in this prospectus.

LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period and up to the Latest Practicable Date, no member of our Group was named as defendant in any legal proceedings arising from our engagement as the main contractor or sub-contractor of foundation projects which is material to our business and financial conditions or operating results. Nor were we subject to any claim under the applicable laws and regulations or any contract or common law cause of action in relation to the construction works carried out by us for the foundation projects secured by us.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, we continue to focus on foundation projects in Hong Kong private sector.

In September 2017, we were awarded the Macau project in the total contract sum of HK\$52.8 million. The Macau project will commence the construction work in the first quarter of 2018. There was no revenue generated from the Macau project during the Track Record Period. We have 13 foundation projects on hand as of the Latest Practicable Date. The contract sum of these foundation projects amounted to HK\$631.1 million and the estimated amount of revenue expected to be generated from these foundation projects during the seven months ending 31 March 2018 and the year ending 31 March 2019, based on the relevant contractual documents, is HK\$198.0 million and HK\$60.7 million, respectively.

SUMMARY AND HIGHLIGHTS

Assuming that the Over-allotment Option is not exercised, the total amount of expenses incurred for the Listing is estimated to be HK\$37.0 million (based on the mid-point of the indicative range of the Offer Price of HK\$1.1), of which HK\$8.1 million, HK\$3.0 million and HK\$4.5 million had been charged to our profit or loss for the two years ended 31 March 2017 and the five months ended 31 August 2017 respectively, and HK\$12.4 million is expected to be charged to our profit or loss for the seven months ending 31 March 2018 and HK\$9.0 million is expected to be accounted for as a deduction from equity upon the Listing. Our Directors consider that our financial results will be affected by such expenses. Accordingly, the financial performance for the year ending 31 March 2018 is expected to be affected by these expenses in relation to the Listing.

Our Directors confirm that, subsequent to 31 August 2017 and as of the date of this prospectus, save as mentioned above, they are not aware of any material incidents or factual circumstances that may affect the estimated amount of revenue to be recognised from the foundation projects on hand during the seven months ending 31 March 2018 and the year ending 31 March 2019 and there has been no material adverse change in our financial or trading position or prospects.

DEFINITIONS

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

“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN application form(s) or, where the context so requires, any of them
“Application Lists”	the application lists for the Hong Kong Public Offering
“Articles of Association” or “Articles”	the articles of association of our Company, conditionally adopted on 30 November 2017 which will become effective upon Listing and as amended, supplemented or modified from time to time, a summary of which is set forth in Appendix III to this prospectus
“ASD”	Architectural Services Department of the Hong Kong Government
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Beria”	Beria Consultants Limited, a firm of independent quantity surveying consultant
“BKF”	BKF (Hong Kong) Consultants Limited, a firm of independent engineering consultant
“Board”	the board of Directors
“Buildings Department”	the Buildings Department of the Hong Kong 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”	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are open for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of Shares to be made on the capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraphs under the heading “A. Further information about our Company” in Appendix IV to this prospectus
“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Cayman Islands Principal Registrar”	Conyers Trust Company (Cayman) Limited, our principal share registrar in the Cayman Islands

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Broker Participant”	a person admitted to participate in CCASS as a broker participant
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Broker Participant, CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Co-Lead Manager”	Long Asia Securities, which is an Underwriter
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“Company” or “our Company”	Vicon Holdings Limited, a company incorporated in the Cayman Islands on 13 January 2016, as an exempted company with limited liability
“Competition Ordinance”	the Competition Ordinance (Chapter 619 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the context of our Company for the purpose of this prospectus and the Listing, means Mr. CHOW and VGH
“Corporate Governance Code”	the Corporate Governance Code set forth in Appendix 14 to the Listing Rules
“Covenantors”	our Company, the executive Directors, the Controlling Shareholders and the Substantial Shareholders

DEFINITIONS

“Deed of Indemnity”	the deed of indemnity dated 30 November 2017 entered into by our Controlling Shareholders and our Substantial Shareholders in favour of our Company (for itself and as trustee for its subsidiaries), further information on which is set forth in the paragraphs under “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 30 November 2017 entered into by our Controlling Shareholders, our Substantial Shareholders and our executive Directors in favour of our Company (for itself and as trustee for its subsidiaries), further information on which is set forth in the section headed “Relationship with our Controlling Shareholders and Substantial Shareholders” in this prospectus
“Development Bureau”	one of the bureaus of the Hong Kong Government responsible for urban planning and renewal, land administration, housing infrastructure development and heritage
“Director(s)”	the director(s) of our Company
“ electronic application instruction(s) ”	instruction given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for our Hong Kong Offer Shares
“Employment Ordinance”	the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“Ever-Long Securities”	Ever-Long Securities Company Limited, licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities as defined in the SFO, one of our Joint Lead Managers
“Freeman Securities”	Freeman Securities Limited, licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) of the regulated activities as defined in the SFO, one of our Joint Lead Managers
“ GREEN application form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”	our Company and our subsidiaries or, where the context so requires, in respect of the period prior to our Company becoming the holding company of the present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at that time

DEFINITIONS

“HK\$” or “HK dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards (including Hong Kong Accounting Standards and their interpretations) issued by the Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	The Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong Government”	the government of Hong Kong
“Hong Kong Offer Shares”	the 10,000,000 Offer Shares initially being offered by us for subscription at the Offer Price under the Hong Kong Public Offering, subject to adjustment as set forth in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Hong Kong Public Offering”	the conditional offering of our Hong Kong Offer Shares by our Company for subscription by members of the public in Hong Kong (subject to adjustments set forth in the section headed “Structure and Conditions of the Share Offer” in this prospectus) and upon the terms and conditions stated herein and in the Application Forms
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 11 December 2017 relating to the Hong Kong Public Offering entered into by, among others, our Company, the Sole Sponsor and the Hong Kong Underwriters, further information on which is set forth in the section headed “Underwriting — Underwriting arrangements and expenses” in this prospectus
“Independent Third Party(ies)”	a person or entity who is not considered a connected person of our Company under the Listing Rules
“Innovax Capital”, “Sole Sponsor”	Innovax Capital Limited, licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities (as defined under the SFO), being the sole sponsor to the Listing

DEFINITIONS

“International Offering”	the conditional offering of our International Offer Shares for and on behalf of our Company outside the United States, including to professional, institutional and other investors in Hong Kong, as set forth in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“International Offer Shares”	the 90,000,000 Shares being initially offered for subscription under the International Offering together with any additional Shares that may be issued pursuant to the exercise of the Over-allotment Option, subject to reallocation as set forth in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“International Underwriters”	the underwriters of the International Offering listed in the section headed “Underwriting — International Underwriters” in this prospectus
“International Underwriting Agreement”	the international underwriting agreement relating to the International Offering which is expected to be entered into by, among others, our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Lead Manager, our executive Directors, our Controlling Shareholders and our Substantial Shareholders on the Price Determination Date
“Ipsos”	Ipsos Limited, the independent industry consultant engaged by us for the purpose of the Ipsos Report
“Ipsos Report”	the commissioned report prepared by Ipsos, an extract of which is set forth in the section headed “Industry Overview” in this prospectus
“Joint Lead Managers”	Sun Securities, Ping An Securities, Ever-Long Securities, Freeman Securities and Oceanwide Securities, which are, together with the Co-Lead Manager, the Underwriters
“Labour Department”	Labour Department of the Hong Kong Government
“Latest Practicable Date”	Monday, 4 December 2017, being the latest practicable date prior to the printing of this prospectus for ascertaining certain information in this prospectus
“Listing”	the listing of our Shares on the Main Board
“Listing Committee”	the listing sub-committee of the board of director of the Stock Exchange
“Long Asia Securities”	Long Asia Securities Limited, licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) of the regulated activities as defined in the SFO, the Co-Lead Manager
“Listing Date”	Friday, 22 December 2017, being the date on which dealings in our Shares are expected to first commence on the Stock Exchange

DEFINITIONS

“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Macau”	The Macau Special Administrative Region of the People’s Republic of China
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company, conditionally adopted on 30 November 2017 which will become effective upon Listing and as amended, supplemented or modified from time to time, a summary of which is set forth in Appendix III to this prospectus
“Minimum Wage Ordinance”	the Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“MOP”	Macau pataca, the lawful currency of Macau
“Mr. CHOW”	Mr. CHOW Kwok Chun (鄒國俊), an executive Director and one of our Controlling Shareholders
“Mr. TSANG”	Mr. TSANG Hing Kuen (曾慶權), an executive Director and one of our Substantial Shareholders
“Oceanwide Securities”	Oceanwide Securities Company Limited, licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts) Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities as defined in the SFO, one of our Joint Lead Managers
“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at which our Hong Kong Offer Shares are to be subscribed and our International Offer Shares are to be offered, to be determined in the manner set forth in the section headed “Structure and Conditions of the Share Offer—Pricing and allocation” in this prospectus
“Offer Shares”	our Hong Kong Offer Shares and our International Offer Shares, including the additional Shares that might be issued under any exercise of the Over-allotment Option

DEFINITIONS

“OGH”	On Group Holdings Limited, a limited liability company incorporated in the BVI on 12 January 2016 and is wholly-owned by Mr. TSANG, being one of our Substantial Shareholders
“Over-allotment Option”	the option expected to be granted by our Company to Sun Securities pursuant to which our Company may be required to issue up to aggregate of 15,000,000 additional Shares at the Offer Price, to cover, among others, over-allocations in the International Offering, if any, further information on which is set forth in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Ping An Securities”	Ping An Securities Limited, licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities as defined in the SFO, one of our Joint Lead Managers
“PRC” or “China”	The People’s Republic of China and, except where the context requires and only for the purpose of this prospectus, references in this prospectus to the PRC or China do not apply to Taiwan, Hong Kong and Macau
“Price Determination Date”	the date on which the Offer Price is to be fixed by the Sole Bookrunner (for itself and on behalf of the Underwriters) and us, which is expected to be on or around Monday, 18 December 2017 and in any event not later than Tuesday, 19 December 2017
“Reorganisation”	the corporate reorganisations undergone by our Group in preparation for the Listing described in the section headed “History, Development and Reorganisation — Reorganisation” in this prospectus
“RMB”	Renminbi, the lawful currency of the PRC
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of our Company
“Share Offer”	the Hong Kong Public Offering and the International Offering

DEFINITIONS

“Share Option Scheme”	the share option scheme conditionally adopted by the written resolutions of the Shareholders passed on 30 November 2017, the principal terms of which are summarised in the paragraphs under “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus
“Shareholder(s)”	holder(s) of Share(s)
“sq.m”	square metre(s)
“Stabilizing manager”	Sun International Securities Limited
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between the stabilizing manager as borrower and VGH as lender on or around the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Substantial Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and in the context of our Company and for the purposes of this prospectus and the Listing, means Mr. TSANG and OGH
“Sun Securities”, “Sole Bookrunner”	Sun International Securities Limited, licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 2 (dealing in futures contracts) and type 4 (advising on securities) of the regulated activities as defined in the SFO, which is an Underwriter
“Track Record Period”	the period comprising three years ended 31 March 2017 and five months ended 31 August 2017
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States
“Underwriter(s)”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“VGH”	Vic Group Holdings Limited, a limited liability company incorporated in the BVI on 12 January 2016 and is wholly-owned by Mr. CHOW, being one of our Controlling Shareholders
“Vicon Construction”	Vicon Construction Company Limited (捷利建築有限公司) (formerly known as Foursome Construction Engineering Company Limited (四方建築有限公司)), a limited liability company incorporated in Hong Kong on 7 July 2005 and is a wholly-owned subsidiary of our Company

DEFINITIONS

“Vicon Construction (Macau)”	Vicon Construction (Macau) Company Limited (VICON 建築(澳門)一人有限公司) (formerly known as VICON 建築(澳門)有限公司), a limited liability company incorporated in Macau on 14 July 2016 and is a wholly-owned subsidiary of our Company
“Vicon Enterprises”	Vicon Enterprises Limited, a limited liability company incorporated in the BVI on 15 January 2016 and is a wholly-owned subsidiary of our Company
“Vicon Machinery”	Vicon Machinery Company Limited (捷利機械有限公司), a limited liability company incorporated in Hong Kong on 7 November 2013 and is a wholly-owned subsidiary of our Company
“we”, “us” or “our”	our Company or our Group, as the context may require
“WHITE Application Form(s)”	the application form(s) for use by members of the public in Hong Kong who require such Hong Kong Offer Shares to be issued in the applicants’ own names
“WHITE Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at www.eipo.com.hk
“WHITE Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Willey Construction”	Willey Construction & Engineering Company Limited (和利建築工程有限公司), a company incorporated in Hong Kong on 6 July 1979, an Independent Third Party and one of our five largest customers during the Track Record Period, further information on the relationship with us is set forth in the section headed “Business — Customers” in this prospectus
“YELLOW Application Form(s)”	the application form(s) for use by members of the public in Hong Kong who require such Hong Kong Offer Shares to be deposited directly in CCASS

GLOSSARY OF TECHNICAL TERMS

This glossary contains certain definitions and technical terms used in this prospectus in connection with our business. As such, some terms and definitions may not correspond to standard industry definitions or usage of such terms.

“bell-out”	an enlargement of the base area of a pile, formed in situ by undercutting (under-reaming) the soil or rock at the base of a bored pile
“bored pile”	a type of pile installed by machine boring to the required level and subsequently filling the hole with concrete
“CAGR”	compound annual growth rate
“ELS”	excavation and lateral support involving the shoring support in the excavated area and, if applicable, drainage measures for the purpose of avoiding any adverse impact on the adjacent structures
“footing”	a type of shallow foundation which transfers building loads to a shallow bedrock layer or undisturbed soil
“hoarding”	temporarily erecting fences or scaffolds on the ground and/or overhead structures along the site boundary to form a barrier between construction sites and the adjoining areas
“ISO”	a series of standards including quality management and environmental management standards published by International Organisation for Standardisation
“ISO 9001”	an international standard that gives requirements for an organisation’s quality management system
“ISO 14001”	an international standard that gives a framework for an environmental management system
“large diameter bored pile”	a type of bored piling which is greater than 750 mm in diameter
“main contractor”	in respect of a construction project, a contractor appointed by the project employer overseeing the progress of the entire construction project and delegate different tasks of the project to sub-contractors
“mini-piles”	a type of piling which consists of one or more steel bars encased by grout inside a borehole, which in general does not exceed 400 mm in diameter

GLOSSARY OF TECHNICAL TERMS

“OHSAS”	Occupational Health and Safety Management Assessment Series, a series of standards providing a framework for organisations to identify and control occupational health and safety
“OHSAS 18001”	an international standard that gives a framework for occupational health and safety management system
“percussive H-piling”	a type of piling by sinking or driving a pile by direct or indirect hammering or other percussive methods, including piling by using a drop hammer, diesel hammer, double acting hammer, single acting hammer, internal drop hammer, pneumatic hammer, steam hammer or other percussive device
“pile cap”	a concrete structure built on the top of a pile or a group of piles for enhancing the loading of the structure above 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
“private sector”	construction works commissioned by individuals, privately-owned property development companies and commercial enterprises
“public sector”	construction works commissioned by Hong Kong Government, MTR Corporation Limited and the Airport Authority, and the commissioning departments and agencies of the Hong Kong Government include the Development Bureau, Civil Engineering and Development Department, Drainage Services Department, Environment Protection Department, Highways Department, ASD, Water Services Department and Housing Authority
“rock socketed H-pile” or “rock socketed H-pile”	a type of piling formed by installing a steel H-section within a pre-bored hole formed into the bedrock and then grouted with cement grout
“socketed H-piles”	a type of piling 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

GLOSSARY OF TECHNICAL TERMS

“soldier piles”	a type of piling constructed of steel H sections spaced about 0.8 m to 1 m apart that provide intermitted vertical support and are installed before excavation commence
“sub-contractor”	in respect of a construction project, a sub-contractor appointed by the main contractor or another sub-contractor involved in the construction, who generally carries out specific work tasks of the project
“surety bond”	a bond issued by a bank or insurance company to secure the due and timely performance of a project by the contractor in cases where the contractor fails to perform according to the requirements in the contract, the contractor’s customer is entitled to the compensation for monetary loss up to the amount of the surety bond
“targeted foundation projects”	foundation projects in Hong Kong private sector with contract sum of not less than HK\$100 million

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

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 (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to us.

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 commission of which would make any statement herein or this prospectus misleading.

INFORMATION AND REPRESENTATION

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Share Offer. For applicants in the Hong Kong Public Offering, this prospectus and the Application Forms set forth the terms and conditions of the Hong Kong Public Offering. Our Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Applications Forms and on the terms and subject to the conditions set forth herein and therein.

We have not authorised anyone to provide any information or to make any representation not contained in this prospectus and the Application Forms. You should not rely on any information or representation not contained in this prospectus and the Application Forms as having been authorised by us, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Lead Manager and any of our or their respective directors, officers, agents, employees, advisers, representatives or any other party involved in this Share Offer. No representation is made 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 contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

PROFESSIONAL TAX ADVICE RECOMMENDED

You should consult your professional advisers if you are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of or dealing in our Shares (or exercising rights attached to them). No responsibility is accepted by us or by any of the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Lead Manager and any of our or their respective directors, officers, agents, employees, advisers, representatives or any other party involved in this Share Offer for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposing of, or dealing in, our Shares or your exercise of any rights attaching to our Shares.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Share Offer	<p>100,000,000 Shares (excluding any Shares to be allotted and issued pursuant to the Over-allotment Option) comprising 10,000,000 Hong Kong Offer Shares and 90,000,000 International Offer Shares, in each case subject to re-allocation. All Offer Shares are new Shares to be allotted and issued by our Company.</p> <p>Further information on the structure of the Share Offer, including its conditions, is set forth in the section headed “Structure and Conditions of the Share Offer” in this prospectus.</p>
Indicative range of the Offer Price	HK\$1.0 to HK\$1.2
Procedures for application for our Hong Kong Offer Shares	The application procedures for our Hong Kong Offer Shares are set forth in the section headed “How to Apply for our Hong Kong Offer Shares” in this prospectus and on the relevant Application Forms.
Stock borrowing arrangements in connection with settlement	The Stabilizing Manager or any person acting for it may borrow from VGH up to 15,000,000 Shares.
Number of Shares to be issued under the Over-allotment Option	Up to 15,000,000 new Shares to be allotted and issued by our Company.
Number of Shares outstanding after the Share Offer and Capitalisation Issue (assuming the Over-allotment Option is not exercised)	400,000,000 Shares
Number of Shares outstanding after the Share Offer and Capitalisation Issue (assuming the Over-allotment Option is exercised in full)	415,000,000 Shares
Commencement of dealings in our Shares	Dealings in our Shares on the Stock Exchange are expected to commence on Friday, 22 December 2017. Our Shares will be traded on the Main Board in board lots of 2,000 Shares each. The stock code of our Shares will be 3878.
Lock-up undertaking by our Company and our Controlling Shareholders and our Substantial Shareholders	Further information is set forth in the section headed “Underwriting — Hong Kong Public Offering — Undertakings” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Dividend	We have not adopted any dividend policy or fixed dividend pay-out ratio as of the Latest Practicable Date.
Voting rights	Holder of each Share is entitled to one vote at our general meetings.
Registers and Hong Kong stamp duty	<p>Our Company's principal register of members will be maintained by our Cayman Islands Principal Registrar and our Company's branch share register of members will be maintained by our Hong Kong Share Registrar. Unless otherwise approved by our Directors, all documents evidencing transfer of title to any Shares must be lodged for registration by our Hong Kong Share Registrar and cannot be lodged in the Cayman Islands.</p> <p>Dealings in our Shares registered in our Company's branch share register of members in Hong Kong will be subject to Hong Kong stamp duty.</p>
Restrictions on offers and offers for sale	<p>No action has been taken to permit a public offering of our Offer Shares or the general distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of our Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions and pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.</p> <p>Each person subscribing for our Hong Kong Offer Shares will be required to, or be deemed by its/his/her subscription for our Hong Kong Offer Shares to, confirm that it/he/she is aware of the restrictions on offers of our Hong Kong Offer Shares described in this prospectus and on the relevant Application Forms.</p>
Application for Listing	Application has been made to the Listing Committee for the listing of, and permission to deal in, our shares in issue and to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the Capitalisation Issue and the exercise of the Over-allotment Option).

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

No part of our share or loan capital of our Company is listed on or dealt in on any other stock exchange and nor is there at present any proposal to do so. The Listing is sponsored by the Sole Sponsor.

Underwriting

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement is expected to be entered into on or around the Price Determination Date, subject to the agreement on the Offer Price between the Sole Bookrunner (for itself and on behalf of the Underwriters) and us. The Share Offer is managed by the Sole Bookrunner.

If the Offer Price cannot be agreed for any reason, the Share Offer will not proceed any will lapse. Further information on the Underwriters and the underwriting arrangements is set forth in the section headed “Underwriting” in this prospectus.

Share will be Eligible for admission into CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposits, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

Rounding

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

RISK FACTORS

An investment in our Shares involves risks. You should carefully consider the following information, together with the other information contained in this prospectus, including our combined financial statements and related notes, before you decide to subscribe for our Shares. If any of the circumstances or events described below actually arises or occurs, our business, and financial conditions, operating results and prospects may suffer. In any such case, the market price of our Shares may decline, and you may lose all or part of your investment. This prospectus also contains forward-looking information that involves risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks described below and elsewhere in this prospectus.

RISKS RELATING TO OUR BUSINESS

Our business is project-based and our revenue relies on successful award and completion of foundation projects.

Our business is project-based and our future business growth will entirely depend on our ability to complete the foundation projects secured by us. We do not have long-term contract with our customers, and our major customers may also change from time to time. During the Track Record Period and up to the Latest Practicable Date, we sourced our foundation projects from cooperations with a number of main contractors or through direct tendering process. Our future business growth depends on our ability to secure and complete foundation projects. We cannot assure you that our current major customers will in the future continue to award us with new foundation projects or that we are able to seek new customers acting as their main contractor or sub-contractor. Our business and financial conditions and operating results could be adversely affected if we are unable to secure new foundation projects with contract terms acceptable to us or at all. Accordingly, our operating results during the Track Record Period should not be taken as an indication of our future performance.

In addition, our operating results are significantly depending on a number of factors, such as the budget of our customers, the terms and the nature of the construction works undertaken by us, the duration of the foundation projects secured by us, the efficiency of implementation of the foundation projects secured by us and the general market conditions of the foundation contracting industry. As a result, the amount of revenue and the related cash inflows of our business may fluctuate from time to time and are subject to various factors outside our control. We cannot assure you that the profitability of any foundation projects can be maintained or estimated at any particular level or at the historical levels during the Track Record Period.

Furthermore, in relation to the revenue generated from the variation orders of our foundation projects, it would be subject to the customers' assessment of the completed construction works and the actual value of the completed construction works confirmed by our customers. Such assessment may be different from our estimation. In such event, our business and financial conditions and operating results in a particular year or period may be different from our estimation taking into the likely amount of the variation orders. Investors should note that our operating results in any year or period may not be indicative of or comparable with our operating results in the future.

RISK FACTORS

We may not be able to maintain our gross profit margins.

During the Track Record Period, our gross profit margin fluctuated from project-to-project due to the nature of the construction works and our role in different foundation projects. The gross profit margin for design-and-build projects may be higher than the gross profit margin for build-only projects. During the Track Record Period, our gross profit margin was 12.9%, 17.7%, 18.4% and 14.7%, respectively. Any fluctuation in the gross profit margin will have a direct impact on our profitability. An analysis of the factors affecting our gross profit margin is set forth in the section headed “Financial Information — Principal factors and trends affecting our operating results and financial condition” in this prospectus.

The levels of our gross profit margin as reflected in the Track Record Period are merely a result of our past performance and efforts and the fact that we had completed three targeted foundation projects during the same period. Such gross profit margins may not be indicative of our operating results in the future. In addition, the inclusion of the estimated or projected amount of revenue in this prospectus that may be derived from our foundation projects or potential foundation projects are for reference only and are based on the information currently available to us and will be subject to change.

Moreover, as we receive payments from our customers by way of progress payments on a monthly basis with reference to the value of completed works, the approval and the certification of which are subject to the decision of external parties, namely the architects or quantity surveyors employed by our customers, which is outside our control.

We cannot assure you that our gross profit margin not decrease in the future in light of the changing economic factors and the industry landscape. Our business and financial conditions and operating results could then be adversely affected.

We relied on our major customers during the Track Record Period.

During the Track Record Period, we relied on our major customers. During the Track Record Period, we had two, five, eight and nine customers, respectively. During the two years ended 31 March 2016, our largest customer, Willey Construction, generated revenue of HK\$276.5 million and HK\$169.4 million, respectively, representing 99.9% and 52.4% of the total amount of our revenue. During the year ended 31 March 2017, revenue generated from Willey Construction amounted to HK\$86.6 million, representing 32.9% of the total amount of our revenue. During the five months ended 31 August 2017, the revenue generated from Willey Construction amounted to HK\$31.1 million, representing 25.3% of the total amount of our revenue. The decrease was primarily due to the expansion of our business as main contractor following the successful registration as a *Registered Specialist Contractor — Foundation Works* in September 2015 and *Registered General Building Contractors* in October 2015.

During the year ended 31 March 2017, revenue generated from our largest customer amounted to HK\$114.2 million, representing 43.3% of the total amount of our revenue. During the five months ended 31 August 2017, revenue generated from our largest customer amounted to HK\$34.6 million, representing 28.2% of the total amount of our revenue. Most revenue generated from this customer was recognised from the Tuen Mun 1 project awarded to us in August 2015.

RISK FACTORS

As our business is project-based, we would encounter from time to time customer concentration risk and our largest customer in a year may be different from the same in subsequent years. This is particularly the case if we are awarded a sizeable foundation project. We have not entered into any long-term agreement with any of our customers, as we believe that it is not the industry norm in Hong Kong. The award of a foundation project is largely based on the terms and conditions of the tender documents submitted by us or the contract entered into with the main contractors.

The continuous growth of the business of these customers as well as the increase in the number of foundation projects are important to our business growth. Any deterioration in the businesses of our major customers could result in a decline in the number of foundation projects that we may work with them or a change in their business relationships with us. If any of our major customers reduces the number of projects awarded to us due to financial hardship, business interruption, industry slowdown in which it conducts business or any other reasons, our business and financial conditions and operating results could be materially and adversely affected.

We rely on our executive Directors and senior management team.

Our success is attributable to the continued commitment of our executive Directors and our supporting management team. Further information on the qualifications and working experience of our executive Directors is set forth in the section headed “Directors, Senior Management and Employees” in this prospectus. Our executive Directors are responsible for formulation of our business strategies and daily management of our business operations. More importantly, they have established business relationship with our customers, sub-contractors and suppliers. Our executive Directors have extensive experience in the foundation contracting industry, possess technical know-how and extensive knowledge of the foundation and construction markets. Our senior management team is responsible for different management and business functions. If any of our executive Directors or senior management team leaves us and we cannot recruit and retain suitable replacement candidate with the same working experience and calibre, our business and financial conditions and operating results could be adversely affected. The departure of any of our executive Directors may also affect the relationship with our major customers, sub-contractors and suppliers, and this could also affect our operating results and future growth.

Moreover, we maintain a lean organisation structure with 77 full-time employees as of the Latest Practicable Date. Our key business decisions are made by our executive Directors. Accordingly, the number of foundation projects that can be executed by us simultaneously at any given time is limited by the capacity of our management team as well as their judgement. In the event we cannot retain our key executive Directors and senior management team, it could temporarily affect our capacity and ability to carry out services for our customers which could adversely affect our business and financial conditions and operating results.

RISK FACTORS

We make estimation of our project costs and any failure to estimate the project costs accurately and/or delay in completion of any foundation project could lead to cost overruns or even result in losses.

All of the foundation projects engaged by us are on a fixed-cost basis (other than variation orders). There are, however, many factors on whether we are able to secure foundation projects at a competitive price with reasonable profit margin. Our executive Directors determine the tender price pursuant to their industry experience and with reference to a number of factors, such as the scope and complexity of the foundation project, site conditions, project time frame, estimated construction materials costs, labour and machinery requirement and capacity, sub-contracting works required and the prevailing market conditions. Almost all of these factors are outside our control and we may need to absorb any unexpected increase in project costs. If we fail to estimate our project costs accurately or if there is any unforeseen factor leading to any increase in cost which cannot be transferred to our customers pursuant to the relevant contract terms, we may be subject to cost overruns and will result in low profit margin or even a loss for a foundation project.

Moreover, the contracts with our customers may include provisions on “extension of time”, which enables us to extend the completion date with the parties’ agreement. We may be subject to liquidated damages due to delay in completing a foundation project if such extension is not agreed by our customer. The amount of such liquidated damages is based on a fixed sum per day or based on certain formula or agreed mechanism as set forth in the contracts for the period which the works remain incomplete.

During the Track Record Period and up to the Latest Practicable Date, we had no material liquidated damages claimed against us due to our delay in completing the project in respect of which time extension is not granted by our customers.

We cannot assure you that we will not encounter cost overruns or delays in our current and future foundation projects and our customers may not agree to extend the completion date for reasons outside our control. If such cost overruns or delays occur, our costs may exceed our budget or we may be required to pay liquidated damages, which could reduce or diminish our profit that may be generated from the foundation projects, and could materially and adversely affect our business and financial conditions and operating results.

There may be discrepancies between underground investigation findings and the actual geological conditions of the construction site which may result in additional cost or unexpected delay in completing our foundation projects.

Prior to commencement of our piling construction and ancillary works, we may conduct ground investigation or our customers may supply us with ground investigation report. However, information provided to us may not be sufficient to reveal the actual geology beneath our construction site due to limitation in the scope of the underground investigation works that can be carried out at the site or other technical limitations. There may be discrepancies between the actual geological conditions and the findings set forth in these investigation reports, and the investigation may not be able to reveal

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the existence of rocks or identify any antiquities, monuments or structure beneath the site. All these may eventually present potential issue in the carrying out of the piling construction and ancillary works, thereby exposing us to uncertainties in the course of implementation of our foundation projects.

As a result of the above, we may incur additional costs in dealing with these unforeseen conditions, and it may cause delay in completion of the projects, resulting in potential claims for liquidated damages from our customers. In any of these events, our business and financial conditions and operating results could be adversely affected.

We may be liable for damage caused to underground utilities and infrastructures under our construction site when carrying out foundation works.

When we carry out foundation works, we may encounter fresh and flush water piping, electric cables, optical fibre telephone line and high pressure gas mains and other utilities and infrastructures which are laid underground or below carriageways and footways. If damage is made to those utilities during our works, we may be liable for the costs for the repair of such damaged utilities and infrastructures and the relevant remedial works will increase our costs for the projects and may cause delay in our project schedule. In any of these events, our business and financial conditions and operating results could be adversely affected.

We may be liable for claims for damage caused to the buildings adjacent to our construction sites and may suffer additional costs for undertaking remedial works or may incur liquidated damages for project delay.

The foundation and structure of any buildings adjacent to our construction sites may be affected or damaged during the implementation of our foundation projects. We may incur additional cost and time in carrying out remedial works and may cause material delay preventing us from completing our obligation under a contract in accordance with its terms and schedule. Where extension of time is not granted by the relevant customer, we may also face claims for losses and liquidated damages. In addition, we may be involved in claims and disputes from third parties arising from damage caused to the adjacent building, which may lead to legal and other proceedings and expose us to financial liability as well as reputational risk.

During the Track Record Period and up to the Latest Practicable Date, no member of our Group was named as defendant in any legal proceedings arising from our engagement as the main contractor or sub-contractor of foundation projects which is material to our business and financial conditions or operating results. Nor were we subject to any claim under the applicable laws and regulations or any contract or common law cause of action in relation to the construction works carried out by us for the foundation projects secured by us.

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We cannot assure you that litigations and claims will not happen in the future. If similar incidents happen, we may be involved in claims and disputes from third parties and additional costs for remedial works may also be incurred. In addition, in the event that we are not able to obtain extension of time from our customers, any delay in our foundation projects may make us liable to our customers for liquidated damages.

Cash inflows and outflows in connection with our foundation projects are not regular, and such financial condition may affect our liquidity position.

For our foundation project, net cash outflows to pay certain set-up expenditures may not align with progress payments to be received by us during the relevant periods. Progress payments will be paid after foundation works done are confirmed by our customers (or authorised persons employed by them). Accordingly, the inflow and outflow cash for a particular project may fluctuate as the foundation works proceed.

If during any particular period of time, there exists too many foundation projects which require substantial cash outflow while we have significantly less cash inflows during that period, our cash flow position could be adversely affected.

If progress payment or retention money is not paid to us on time and in full as a result of disputes over our work done, our liquidity position could be adversely affected.

We normally receive progress payment from our customers on a monthly basis. Progress payment is generally made with reference to the value of works done in that month. However, due to the timing difference between the project progress recorded by us and the issuance of payment approval and billing of the projects, progress payment may not be paid to us on time. A portion of contract value (which generally is subject to a maximum of five per cent. of the total contract value) is usually withheld by our customers as retention money. As of 31 March 2015, 2016 and 2017 and as of 31 August 2017, the gross amounts due from our customers for contract work, which are currently recorded as our current assets, amounted to HK\$7.0 million, HK\$30.0 million, HK\$58.7 million and HK\$63.6 million, respectively. We did not have any retention receivables as of 31 March 2015 because we had no projects which required retention money. As of 31 March 2016 and 2017 and as of 31 August 2017, our retention receivables amounted to HK\$9.5 million, HK\$14.2 million and HK\$13.5 million, respectively.

We cannot assure you that progress payments will always be confirmed and paid to us on time and in full, or the retention money will be paid by our customers to us in full. Any significant partial payment or failure by our customers to make remittance at all as a result of disputes over our works done could have an adverse effect on our business and financial conditions and our operating results.

We have recorded net cash outflow from operating activities for the five months ended 31 August 2017.

We recorded net cash outflow from operating activities of HK\$3.7 million for the five months ended 31 August 2017 primarily due to the decrease in trade and retention payables. Further information is set forth in the section headed “Financial Information — Liquidity and capital resources

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— Cash flows generated from operating activities” in this prospectus. If we continue to record net operating cash outflows in the future, our working capital may be constrained which could materially and adversely affect our business and financial conditions and operating results. We cannot assure you that we will not experience periods of net cash outflow from operating activities in the future.

We are exposed to our customers’ credit risks and our liquidity position could be adversely affected if our customers fail to make payment on time or in full.

As set forth in the relevant contract documents, we submit regular payment applications to our customers and normally require our customers to make progress payments calculated in accordance with the value of works completed, which may include variation works and claims, if any.

The billings for each foundation project are made in accordance with the stipulated terms and conditions of the respective contract documents. Progress payment is generally made regularly by reference to the value of works done in that month whereas retention money is withheld by our customers and is only released upon the expiry of the defects liability period or a pre-agreed time period. Further information is set forth in the section headed “Business — Principal terms contained in the contractual documents of our foundation projects” in this prospectus.

The credit terms in relation to the settlement of amounts due from our customers arising from the projects carried out by us vary from customers to customers. Our credit terms typically range from due upon presentation of invoices (no credit terms) to 30 days from the date of invoice, depending on the terms and conditions of the contracts. The amount of trade receivables amounted to HK\$18.6 million, HK\$15.5 million, HK\$24.1 million and HK\$20.5 million as of 31 March 2015, 2016 and 2017 and as of 31 August 2017, respectively. We did not experience material difficulty in collecting the trade receivables during the Track Record Period and accordingly did not make any provision for doubtful debt. However, we cannot assure you that the financial position of our customers will remain healthy in the future. We also cannot assure you that we will be able to collect trade receivables from our customers on a timely basis or that there will not be any future dispute in terms of collection of receivables with our customers which may result in significant delay in receivables collection.

In addition, retention monies are generally required by our customers to secure our due performance of the contract. Typically, the amount of retention money is subject to negotiations between the parties and ranges from five per cent. to 10.0% of the value of the works certified, subject to a maximum retention of five percent of the contract value or a fixed amount. Our retention receivables amounted to nil, HK\$9.5 million, HK\$14.2 million and HK\$13.5 million as of 31 March 2015, 2016 and 2017 and as of 31 August 2017, respectively. In the event our customers fail to pay the retention monies on a timely basis or at all, our liquidity could be adversely affected.

We may be engaged in prolonged negotiations of the settlement of payment applications, in particular in respect of final payment, which is not uncommon in the foundation contracting industry. If our customers experience financial distress or are unable to settle their payments due to us or release the retention money to us in a timely manner or at all, our business and financial conditions and operating results could be adversely affected.

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Contractual disputes may arise from variation orders requested by our customers.

In the course of project implementation, our customers may request for “variation orders” to alter the scope of works or perform additional works on top of the scope of the original construction contracts. Our Directors confirm that the recognised variation orders were agreed with the relevant parties and the amount of revenue generated from the agreed variation orders amounted to nil, HK\$0.9 million, HK\$5.5 million and nil, representing nil, 0.3%, 2.1% and nil of the total amount of our revenue, respectively, during the Track Record Period. Our Directors further confirm that there was no dispute between the relevant parties on the amount of the variation orders during the Track Record Period.

The terms of these variation orders are agreed between us and the surveyor authorised by our customers in accordance with, among other things, any additional work carried out which is the same as or similar in character to (and executed under the same or similar conditions and circumstances to) any item of work priced in the original contract shall be valued at the rate set forth in the original contract or supplemental contract (as the case may be) for such item of work. If we disagree on the rates fixed by such surveyor, contractual disputes with our customers may arise, and our business and financial conditions and operating results could be adversely affected.

Any defect liability claim could affect our operating results.

Under the usual terms of our contracts, our customers normally require a defects liability period during which we are responsible for rectifying all defective works, if any, during such defects liability period. The defects liability period, if any, is normally 12 months after the practical completion of the contract works or for such other period as our customer may specify depending on the nature and the scale of the entire project. If there are any significant claims raised by our customers or other parties against us for defect liability or any default or failure in relation to our works, we may incur significant amount in rectifying such defects or in settling such claims and in such event our business and financial conditions and operating results could be adversely affected.

We rely on the stable supply of skilled labour to carry out our foundation works.

Our foundation works require skilled labour input. For any foundation project, workers with different skills may be required. During the Track Record Period, our labour costs, as part of the cost of sales, amounted to HK\$21.1 million, HK\$30.1 million, HK\$39.2 million and HK\$17.6 million, respectively, representing 8.8%, 11.3%, 18.2% and 16.8%, of the total amount of our cost of sales, respectively. The increase in our labour cost, both in terms of the amount and the percentages to the cost of sales, was primarily due to the increase in the number of our labour and the reduced reliance on our sub-contractors following the purchase of the machinery, further information on which is set forth in the section headed “Business — Machinery” in this prospectus.

According to the Ipsos Report, the shortage of skilled construction workers would result in an increase in the average hourly wage of construction workers in Hong Kong in the next few years. This may result in increase in the minimum wages, and the impact of the Minimum Wage Ordinance or enactment of new labour laws, rules and regulations which may lead to further increases in our labour costs. If we fail to retain our existing labour and/or recruit skilled labour in a timely manner to cope

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with the demand of our existing or future projects and/or there is a significant increase in the costs of labour, we may not be able to complete our foundation projects on schedule and within our estimated budgets and our business and financial conditions and operating results could be adversely affected.

Shortage of labour could affect our projects and our performance.

According to the Ipsos Report, Hong Kong currently experiences a shortage of skilled construction workers. We anticipate that this shortage will continue because of the ongoing infrastructure projects and the targets set by the Hong Kong Government on the supply of residential premises within the next decade as well as the planned infrastructure projects. We cannot assure you that the supply of labour and our labour costs will remain stable. If there is a significant increase in the costs of labour and we have to retain our labour (or our sub-contractors have to retain their labour) by increasing their wages, our staff cost or sub-contracting cost (as the case may be) will increase and thus lower our profitability. On the other hand, if we or our sub-contractors fail to retain our or their existing labour or recruit sufficient labour in a timely manner, we may not be able to complete our foundation projects on schedule and may be subject to liquidated damages and incur losses.

Industrial actions or work stoppages could affect our business.

Our industry requires skilled labour to carry out different types of foundation works. Industrial actions or work stoppages of any types of foundation works may disrupt the progress of our projects. During the Track Record Period, we did not encounter any industrial action or stoppage. Nonetheless, we cannot assure you that any industrial action or stoppage would not be initiated in the future. In the event that such industrial action or stoppage is initiated for a prolonged period of time, our business and financial conditions and operating results could be adversely affected.

Increases in the cost of construction materials, parts and consumables may have an adverse impact on our business and financial conditions and our operating results.

Our principal construction materials include concrete, reinforcement bar, structural steel and other metal materials. During the Track Record Period, the costs of construction materials, parts and consumables amounted to HK\$13.5 million, HK\$14.9 million, HK\$46.3 million and HK\$34.7 million, respectively, representing 5.6%, 5.6%, 21.5% and 33.2% of the total amount of our cost of sales.

We cannot assure you that the cost of construction materials, parts and consumables will not increase. If we are unable to factor the expected fluctuations into the price proposals in our tender documents or the contracts with the main contractors or pass on a significant portion of the increase in costs to our customers, our business and financial conditions and operating results could be materially and adversely affected.

Furthermore, we cannot assure you that the quality of construction materials, parts and consumables supplied to us meets our required standards for reasons beyond our control, and we may be forced to replace these construction materials and to procure from other suppliers at additional costs or be subject to time delay.

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We rely on sub-contractors to help complete our foundation projects.

Consistent with the usual practice of the foundation industry in Hong Kong, we engage third party sub-contractors to perform certain parts of the works under our contracts instead of retaining a large pool of labour with different skill sets in order to maximise our cost efficiency and flexibility. We also rely on our sub-contractors for supply of machinery required for carrying out of foundation works and/or associated works. During the Track Record Period, our five largest sub-contractors accounted for 75.5%, 70.5%, 31.6% and 28.4% of the total amount of our cost of sales, respectively. During the Track Record Period, our total sub-contracting charges accounted for 79.1%, 78.7%, 49.9% and 36.9% of the total amount of our cost of sales, respectively. The decrease in the sub-contracting charges, both in terms of dollar amount and the percentages to the cost of sales, was primarily due to the increase in our direct labour and the reduced reliance on our sub-contractors following the purchase of the machinery, further information on which is set forth in the section headed “Business — Sub-contractors” in this prospectus.

Other than any significant increase in the sub-contracting costs that may adversely affect our profitability, we may also be exposed to other legal liabilities if we are not able to monitor the performance of our sub-contractors, or if our sub-contractors violate any laws, rules or regulations in relation to health and safety matters. We are also exposed to risks associated with non-performance, delayed performance or sub-standard performance of our sub-contractors or its employees which may result in a delay in the delivery of our works. We may also incur additional costs due to delay in schedule or if there is any defect in the works performed by the sub-contractor or if there is any accident causing personal injuries or death of the sub-contractors’ employees, we may be subject to liability under the relevant contract for our sub-contractor’s performance. These events may impact upon our profitability, financial performance and reputation, as well as result in litigation or damage claims.

In addition, pursuant to the Employment Ordinance, a principal contractor and every superior sub-contractor shall be jointly and severally liable to pay any wages that become due to an employee who is employed by a sub-contractor on any work which the sub-contractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance. Our operations and hence our financial position may thereby be adversely affected if any of our sub-contractors violates their obligations to pay their employees.

Our insurance may not fully cover all the potential claims and losses arising from our foundation projects.

For the foundation projects in which we act as the main contractor, we maintain employees’ compensation insurance and contractors’ all-risks insurance covering our employees as well as the employees of our sub-contractors, except for the Tseung Kwan O project where the contractors’ all-risks insurance has been taken out by the developer. Similarly, where we undertake the role of sub-contractor in a foundation project, we are covered by the employees’ compensation insurance and contractors’ all-risks insurance taken out by the project main contractor.

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Nevertheless, we cannot assure you that all losses and expenses suffered by us arising from or in connection with damage to property or other claims arising from or in connection with foundation projects undertaken by us can be fully covered by the contractors' all-risks insurance. To the extent that our insurance does not cover such claims, losses and expenses, it could adversely affect our business and financial conditions and operating results. Claims of this nature may also expose us to the risk of bearing higher insurance premiums in the future and may bring damage to our reputation with negative publicity. In any of these events, our business and financial conditions and operating results could be adversely affected.

We are required to maintain certain registrations with governmental authority and any suspension of or failure to maintain or renew any of them could materially and adversely affect our business.

The foundation contracting industry in Hong Kong is a regulatory industry and we are required to maintain operating qualifications and registrations to conduct our business. Further information on the applicable laws and regulations is set forth in the section headed "Applicable Laws and Regulations" in this prospectus. Further information on the required licences for our business is set forth in the section headed "Business — Qualifications and certifications" in this prospectus.

To maintain such qualifications and registrations, we must comply with the restrictions and conditions imposed by the relevant governmental authorities, such as Buildings Department and the Department Bureau. These conditions may include the maintenance of certain financial resources including our working capital level, the adequacy of our management structure and the appropriate experience and qualification of our personnel. These registrations may be subject to a fixed validity period upon expiry of which, we will apply for renewal of such registration with the relevant governmental authorities. In addition, the standards of compliance required change from time to time, and we cannot assure you that all these required registrations can be maintained or renewed in a timely manner or at all. If we fail to maintain or renew such relevant registrations, or if our registration is suspended, or if there are any changes in the existing policies by the governmental authorities in relation to regulation concerning the foundation industry, it may cause an interruption to business, and our business and financial conditions and operating results could be adversely affected.

Legal and arbitration proceedings may arise and affect our operations and our reputation.

We may be involved in disputes arising from our business operations, which may lead to legal proceedings or claims. For instance, disputes may arise due to material delay preventing us from completing our obligations under a contract in accordance with its terms or when our customers and we take different views on the valuation on variation works in accordance with the terms of a contract. We may have to incur costs to defend ourselves in legal proceedings or claims. If we are not successful in defending ourselves in any proceedings, we may be liable to pay damages. Such payments may be significant and may adversely affect our business and financial conditions and operating results.

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We cannot assure you that we will not be involved in any contractual disputes or legal proceedings in the future, particularly in relation to foundation projects for which we act as main contractor. These disputes or legal proceedings, regardless their merits, may affect our business and financial conditions and may distract our management's resources and attention from our ordinary course of business. In such event, our business and financial conditions, our business reputation and our operating results could be adversely affected.

We may be unable to implement our business strategies effectively.

Our ability to continue to grow our business will depend on our continuing ability to successfully implement our business strategies, including, competing for targeted foundation projects, improving our margins and profitability, capturing the growing foundation works from public sector, as well as pursuing strategic geographical expansion and acquisitions. Further information is set forth in the sections headed "Business — Our business strategies" and "Reasons for the Listing, Future Plans and Proposed Use of Net Proceeds from the Share Offer" in this prospectus.

Our ability to implement our business strategies depends on, among other things, the general economic conditions in Hong Kong, our ability to continue to maintain close relationships with our key customers, the availability of management, financial, technical, operational and other resources, and competition.

If we are unable to implement these strategies, each of which is subject to factors beyond our control, we may not be able to grow at a rate comparable to our growth in the past, or at all. Consequently, if we fail to effectively implement our business strategies, our business and financial conditions and operating results could be adversely affected.

RISKS RELATING TO THE FOUNDATION CONTRACTING INDUSTRY IN HONG KONG

The foundation contracting industry is affected by the general property market and the trends and prospects of the overall economy.

All of our operations and management were located in Hong Kong during the Track Record Period and up to the Latest Practicable Date. As all of our foundation projects are private sector projects during the Track Record Period, the future growth and profitability of the foundation industry in which we operate largely depends on the continued prosperity of the property market and the construction industry in Hong Kong. The nature, extent and timing of these foundation projects will, however, be determined by an interplay of a variety of factors, including the Hong Kong Government's policies on the property market in Hong Kong, its land supply and public housing policy, the investment of property developers and the general conditions and prospects of Hong Kong's economy. These factors may affect the availability of foundation projects from the private sector or other institutional bodies. Our Directors consider that since the construction sector is cyclical in nature, the demand for our service may be reduced with the downturn in the construction sector, as well as reduction in the overall value and number of property development projects due to economic downturn. As such, our business and financial conditions and operating results could be adversely impacted. Other factors include cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector.

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Our operation may be affected by changes in existing laws.

Our operation is subject to certain laws and regulations of Hong Kong. Further information is set forth in the section headed “Applicable Laws and Regulations” in this prospectus. Such laws and regulations may change from time to time to reflect the latest requirements and any changes may increase the cost incurred by us for due compliance. Failure to comply with and satisfy such laws and regulations may lead to suspension of relevant licences, qualifications or registrations to operate and, in turn, adversely affect our business and financial conditions and operating results.

Our operations may be affected by adverse weather conditions and are subject to other construction risks.

Our business operations are mostly conducted outdoors and are vulnerable to adverse weather conditions. If adverse weather conditions persist or natural disaster occurs, we may not be able to carry out works at our sites, and thereby fail to meet specified time schedule. If we have to halt operations during adverse weather conditions or natural disaster, we may continue to incur operating expenses even while we experience reduced revenues and profitability.

In addition, our business is subject to outbreak of severe communicable diseases (such as swine flu, avian flu, Middle East respiratory syndrome and severe acute respiratory syndrome), natural disasters or other acts of God which are beyond our control. These incidents may also adversely affect the economy, infrastructure, livelihood and society in Hong Kong. Acts of wars and terrorism may also injure our employees, cause loss of lives, damage our facilities, disrupt our operations and destroy our works performed. If any such incident occurs, our revenue, costs, financial conditions and growth potentials will be adversely affected. It would be difficult to predict the potential effect of these incidents and their materiality to our business as well as those of our customers, suppliers, sub-contractors and employers.

We operate in a competitive industry.

According to the Ipsos Report, the foundation contracting industry in Hong Kong has a large number of qualified participants and is competitive. As of the Latest Practicable Date, there were 153 contractors registered as Specialist Contractors — Foundation Works, at the Buildings Department. Our sub-contractors may also be our potential competitors and new market participants may emerge if they possess the appropriate skills, local experience, necessary machinery, capital and are granted the requisite registrations by the relevant governmental authorities. Increased competition may result in lower operating margins and loss of market share, and adversely affect our business and financial condition and operating results.

The economic and political environment in Hong Kong.

Our business and financial conditions depend on the economic environment in Hong Kong. We derived all our revenue in the Hong Kong foundation contracting industry. If there is a downturn in the economy of Hong Kong, our business, financial conditions and operating results may be adversely affected.

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Hong Kong is a special administrative region of the PRC. It enjoys a high level of autonomy under the principle of “one country, two systems” in accordance with 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. Since the conclusion of our Track Record Period, there have been large scale demonstrations and protests in Hong Kong seeking reform of the electoral system for the Hong Kong Chief Executive. Any change in Hong Kong’s existing political environment may bring about instability of the economy in Hong Kong, thereby adversely affects the construction industry in which we operate.

RISKS RELATING TO OUR SHARE OFFER

There has been no prior public market for our Shares and their liquidity and market price may be volatile.

Prior to the Share Offer, there was no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Sole Bookrunner (for itself and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Share Offer. We have applied for the listing of, and permission to deal in, our Shares on the Stock Exchange. The Listing does not guarantee that an active trading market for our Shares will develop or, if it does develop, will be sustained following the Share Offer or that the market price of our Shares will not decline following the Share Offer. In addition, we cannot assure you that the Share Offer will result in the development of an active and liquid public trading market for our Shares. All of our existing shareholders have also agreed that, without the prior written consent of the Sole Sponsor and the Sole Bookrunner, they will not dispose of any of our Shares during the six months following the Listing Date. As such, the number of our Shares available for sale will be significantly limited during the six months following the Listing Date, which may negatively impact the activity level of trading in our Shares and hinder the development of an active and liquid public trading market for our Shares during such period.

Furthermore, the price and trading volume of our Shares may be volatile. Factors such as the following may affect the volume and price at which our Shares will trade:

- actual or anticipated fluctuations in our results of operations;
- announcements of new projects by us or our competitors;
- reduction of or restriction on financing for the property industry or housing market;
- changes in management or other key personnel of us or of our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by financial analysts;
- potential litigation or regulatory investigations;

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- changes in laws, regulations and policies affecting our Industry;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies, other industries and other events or factors beyond our control; and
- release of lock-up or other transfer restrictions on our outstanding Shares or sales or perceived sales of additional Shares by us, our Controlling Shareholders or our Substantial Shareholders or other shareholders.

You should note that the securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may materially and adversely affect the market price of our Shares.

The market price and trading volume for our Shares may be volatile.

The price and trading volume of our Shares may be highly volatile and may not always accurately reflect the underlying value of our business. Factors such as variations in our revenues, net profit and cash flows and announcements of new investments, strategic alliances and acquisitions, could cause the market price of our Shares to change substantially. Any such developments may result in large and sudden changes in the volume and price at which our Shares will trade and investors may realise less than the original sum invested. We cannot assure you that these developments will not occur in the future. In addition, shares of other companies listed on the Stock Exchange have experienced substantial price volatility in the past, and it is possible that our Shares will be subject to changes in price that may not be directly related to our financial or business performance.

The market price of our Shares when trading begins could be lower than the Offer Price as a result of, among other things, adverse market conditions or other adverse developments that could occur between the pricing of our Shares and the time trading begins.

The Offer Price will be determined on the Price Determination Date. However, our Offer Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be the fifth business day after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our Offer Shares during that period. Accordingly, holders of our Offer Shares are subject to the risk that the price of our Offer Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Substantial future sales or perceived sales of our Shares in the public market could cause the price of our Shares to decline.

Sales of our Shares in the public market after the Share Offer, or the perception that these sales could occur, could cause the market price of our Shares to decline. Upon completion of the Share Offer and the Capitalisation Issue, we will have 400,000,000 Shares in issue or 415,000,000 Shares in issue if the Over-allotment Option is exercised in full. Holders of our Shares, including holders of share

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options, will be able to sell their Shares upon the expiration of certain lock-up periods. Further information is set forth in the section headed “Underwriting” in this prospectus. We cannot predict what effect, if any, market sales of securities held by our significant Shareholders or any other Shareholders or the availability of these securities for future sale will have on the market price of our Shares.

Because the Offer Price is higher than our net tangible book value per Share, you will incur immediate dilution and you may experience further dilution if we issue additional Shares or equity-linked securities in the future.

The Offer Price is higher than the net tangible book value per share issued to existing holders of our Shares. Therefore, purchasers of our Shares in the Share Offer will experience an immediate dilution in pro forma net tangible book value while the existing holders of our Shares will receive an increase in net tangible book value per share of their Shares. In addition, if we issue additional Shares or equity-linked securities in the future, purchasers of our Shares may experience further dilution in the net tangible assets book value per Share if the additional Shares are issued at a price lower than the net tangible assets book value per Share at the time of their issuance.

You may have difficulties in protecting your interests because we are a Cayman Islands company and the laws of the Cayman Islands for minority shareholders protection may be different from those under the laws of Hong Kong or other jurisdictions.

We are a Cayman Islands company and our corporate affairs are governed by the Cayman Companies Law and common law of the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interest of minority shareholders differ from those under statutes and judicial precedent in existence in Hong Kong and other jurisdictions. Therefore, remedies available to the minority shareholders of our Company may be less effective than those they would have under the laws of Hong Kong or other jurisdictions. Further information is set forth in Appendix V to this prospectus.

We may not be able to pay dividends.

Any declaration of dividends will be proposed by our Directors and the amount of any dividends will depend on various factors, such as the requirements of implementation of our business plans, the business opportunities available to us, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations, and other legal, tax and regulatory restrictions. We have not adopted any dividend policy and do not anticipate that any dividend policy will be adopted by us following the Listing. Hence, we cannot assure you that we will pay dividends following the Listing. Our dividends, if declared and paid, will depend on our operating results and a number of factors outside our control.

RISK FACTORS

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to global economy and the metal casting industry contained in this prospectus.

Facts, forecasts and other statistics in this prospectus relating to the global economy and the construction and foundation contracting industry have been derived from the Ipsos Report. However, we cannot guarantee the quality or reliability of such materials. They have not been prepared or independently verified by us, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Lead Manager and any of our or their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts, forecasts and statistics, which may not be consistent with other information compiled or otherwise publicly available. We have, however, taken reasonable care in the reproduction and/ or extraction of the official government publications for the purpose of disclosure in this prospectus. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, these facts, forecasts and statistics in this prospectus may be inaccurate or may not be comparable to facts, forecasts and statistics produced with respect to other economies. Further, there can be no assurance that they are stated or compiled on the same basis or with the same degree of accuracy as the case may be in other jurisdictions. Therefore, you should not unduly rely upon the facts, forecasts and statistics contained in this prospectus.

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:-

- our business and operating strategies and our ability to implement such strategies;
- our operations and business prospects, including development plans for our existing and new businesses;
- the future competitive environment of the Hong Kong construction and foundation contracting industries including the number of property projects in private sector;
- our capital commitment plans and our dividend distribution plans;
- Hong Kong Government policy on land supply to private sector development; and
- the general economic trend in Hong Kong.

The words “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “plan”, “seek”, “will”, “would” and similar expressions, as they relate to us, in particular, in the sections headed “Business”, “Financial Information” and “Reasons for the Listing, Future Plans and Proposed Use of Net Proceeds from the Share Offer” in this prospectus, are intended to identify a number of these forward-looking statements. These statements are based on numerous assumptions regarding our present and future business strategy and the environment in which we will operate in the future. They reflect the current views of our management with respect to future events and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus. 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. Hence, should one or more of these risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set forth in this section.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

<u>Names</u>	<u>Residential address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Mr. CHOW Kwok Chun (鄒國俊) (Chairman)	Duplex 6, 6th and 7th Floors Dynasty Villa 12 Dynasty Heights 2 Yin Ping Road Kowloon Hong Kong	Chinese
Mr. TSANG Hing Kuen (曾慶權) (Chief Executive Officer)	Flat SC, 28th Floor, Block 3 Phase 2, Festival City, Tai Wai New Territories Hong Kong	Chinese
Mr. LEUNG Kim Lim (梁劍廉)	Flat G, 48th Floor, Block 9 Le Point, 8 King Ling Road Tseung Kwan O, New Territories Hong Kong	Chinese
Mr. LIU Jin Fai (廖展飛)	Flat E, 11th Floor, Block 5 Melody Garden 2 Wu Chui Road Tuen Mun, New Territories Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Mr. IP Ka Ki (葉家麒)	Room 1105, Lai Lim House Lai On Estate Sham Shui Po Kowloon, Hong Kong	Chinese
Professor KUANG Jun Shang (鄺君尚)	Tower 18, 7B HKUST Senior Staff Quarters 1 University Road, Sai Kung New Territories, Hong Kong	Chinese
Mr. LAW Wang Chak Waltery (羅宏澤)	Flat B, 9th Floor Elegant Garden 18 Babington Path Mid-levels Hong Kong	Chinese

Further information on our Directors is set forth in the section headed “Directors, Senior Management and Employees” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED

Sole Sponsor

Innovax Capital Limited
Room 2002, 20/F
Chinachem Century Tower
178 Gloucester Road
Wanchai
Hong Kong
Licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities as defined in the SFO

Sole Bookrunner

Sun International Securities Limited
Unit 2412-13, 24/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong
Licensed corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) of the regulated activities as defined in the SFO

Joint Lead Managers

Sun International Securities Limited
Unit 2412-13, 24/F
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong
Licensed corporation under the SFO to engage in type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) of the regulated activities as defined in the SFO

Ping An Securities Limited
Unit 02, 2/F, China Merchants Building
152-155 Connaught Road Central
Hong Kong
Licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) of the regulated activities as defined in the SFO

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Ever-Long Securities Company Limited

18/F Dah Sing Life Building

99-105 Des Voeux Road Central

Hong Kong

Licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities as defined in the SFO

Freeman Securities Limited

38/F, Bank of China Tower

1 Garden Road

Hong Kong

Licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) of the regulated activities as defined in the SFO

Oceanwide Securities Company Limited

18/F-19/F China Building

29 Queen's Road Central

Hong Kong

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

Co-Lead Manager

Long Asia Securities Limited

Unit A, 23/F, The Wellington

198 Wellington Street, Sheung Wan

Hong Kong

Licensed corporation under the SFO permitted to carry out Type 1 (dealing in securities) of the regulated activities as defined in the SFO

Legal advisers to our Company

as to Hong Kong securities laws:

Sidley Austin

39/F

Two International Finance Centre

Central

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

as to Hong Kong laws (other than securities laws):

Zhong Lun Law Firm
4/F Jardine House
1 Connaught Place
Central
Hong Kong

as to Macau Law:

DCSM Law Office
Alameda Dr. Carlos D'Assumpção
n s 411 a 417 Edificio Dynasty Plaza
4. Andar. F
Macao

as to Cayman Islands law:

Conyers Dill & Pearman
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

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

as to Hong Kong law:

Squire Patton Boggs
29th Floor
Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

Auditor and reporting accountant

PricewaterhouseCoopers
Certified Public Accountants
22/F
Prince's Building
Central
Hong Kong

Independent industry consultant

Ipsos Limited
22/F, Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

Receiving bank

DBS Bank (Hong Kong) Limited
16th Floor, The Center
99 Queen's Road Central
Hong Kong

CORPORATE INFORMATION

Registered Office	Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business of Hong Kong	31st Floor, Kings Tower 111 King Lam Street Cheung Sha Wan Kowloon Hong Kong
Authorised representatives (for the purpose of the Listing Rules)	Mr. CHOW Kwok Chun Duplex 6, 6th and 7th Floors Dynasty Villa 12 Dynasty Heights 2 Yin Ping Road Kowloon Hong Kong Mr. LEUNG Cheuk Hei, <i>a member of HKICPA</i> Flat H, 17th Floor Block 1 Tivoli Garden Tsing Yi New Territories
Company secretary	Mr. LEUNG Cheuk Hei, <i>a member of HKICPA</i> Flat H, 17th Floor Block 1 Tivoli Garden Tsing Yi New Territories
Compliance adviser	Innovax Capital Limited Room 2002, 20/F Chinachem Century Tower 178 Gloucester Road Wanchai Hong Kong <i>Licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities as defined in the SFO</i>
Company's website	www.vicon.com.hk <i>(Information contained on this website does not form part of this prospectus)</i>

CORPORATE INFORMATION

Audit committee of our Board	Mr. LAW Wang Chak Waltery (<i>Chairman</i>) Mr. IP Ka Ki Professor KUANG Jun Shang
Remuneration committee of our Board	Mr. IP Ka Ki (<i>Chairman</i>) Mr. CHOW Kwok Chun Professor KUANG Jun Shang
Nomination committee of our Board	Mr. CHOW Kwok Chun (<i>Chairman</i>) Mr. IP Ka Ki Mr. LAW Wang Chak Waltery
Cayman Principal Registrar	Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman, KY1-1111 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal bankers	DBS Bank (Hong Kong) Limited 16th Floor, The Center 99 Queen's Road Central Hong Kong The Hong Kong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong

APPLICABLE LAWS AND REGULATIONS

OVERVIEW

We are a specialist foundation contractor in Hong Kong private sector focusing on design-and-build foundation projects. Vicon Construction is registered with the Buildings Department as a *Registered Specialist Contractor — Foundation Works* and *Registered General Building Contractor*. Our foundation projects involve different types of construction works, such as piling construction, ELS works and pile cap construction. Our business is principally subject to the relevant laws, rules and regulations of Hong Kong. We are also subject to the rules and regulations implemented by the Buildings Department which regulates contractors in Hong Kong private sector. This section sets forth summaries of certain aspects of Hong Kong laws, rules and regulations which are relevant to our operations and business.

HONG KONG LAWS AND REGULATIONS

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

A. Laws and regulations in relation to the contractor licensing regime

General building contractor/specialist contractor

Under the current contractor registration system in Hong Kong, a contractor carrying out public or private building works and street works must be registered with the Buildings Department as a (i) general building contractor, (ii) specialist contractor or (iii) minor works contractor. A building owner is required to appoint contractors from the appropriate register corresponding to the category of building works to be carried out. We carry out works in the private sector and we are registered as the general building contractor and specialist contractor.

Registered general building contractors may carry out general building works and street works which do not include any specialised works in the designated categories while registered specialist contractors may only carry out specialised works in their corresponding categories in the sub-registers in which they have been entered. Section 8A(2) of the Buildings Ordinance empowers the Building Authority to designate, by notice in the Gazette, categories of building works as specialised works that are required to be carried out by registered specialist contractors. Currently, there are five categories of works designated as specialised works, namely demolition works, foundation works, site formation works, ventilation works and ground investigation field works.

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 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 plant and resources; and

APPLICABLE LAWS AND REGULATIONS

- (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 to register as a registered general building contractor or registered specialist contractor, the Building Authority takes into account 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, that is the “**Authorised Signatory(ies)**”;
- (b) for a corporation - a minimum of one director from the board of directors of the applicant, that is referred to as the “**Technical Director(s)**” 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 our 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;
- (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.

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 access to engaging qualified persons to carry out the relevant specialised duties, such as competent person (logging) for ground investigation field works.

Buildings Ordinance

Under section 14(1) of the Buildings Ordinance, no person shall commence or carry out any building works or street works, without having obtained approval and consent from the Buildings Department. 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 the Buildings Department under the Buildings Ordinance. That person is also required to appoint a registered contractor to carry out the building works. The Buildings Department may require that all such building works shall be carried out in such a way that the building will comply with the standards of the Buildings Ordinance.

APPLICABLE LAWS AND REGULATIONS

Under 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 coordinator 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 the Buildings Ordinance; and
- (c) a registered geotechnical engineer for the geotechnical elements of such building works or street works if so required under the Buildings Ordinance.

Foundation projects in Hong Kong private sector

Private sector projects cover projects launched by private property developers as well as any other entities not being Hong Kong Government departments and statutory bodies.

In order to undertake private sector foundation and related works, a contractor must be registered with the Buildings Department as a registered specialist contractor under the categories of foundation works, site formation works, demolition works and ground investigation field works, unless the main contractor subcontracts those works to a registered specialist contractor. Where the main contractor engages a registered specialist contractor under the categories of foundation works, site formation works, demolition works and ground investigation field works (as the case may be) to undertake the relevant works, irrespective of whether such works form the whole or part of the contract works, such contractor itself would not be required to be a registered specialist contractor under the relevant category. Sub-contractors undertaking foundation works, site formation works, demolition works and ground investigation field works, however are required to be registered specialist contractors under the respective categories accordingly.

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 Building Authority, the entity which is involved as a sub-contractor for any foundation works, site formation works, demolition works and ground investigation field works will not be required to be a registered specialist contractor or to obtain any requisite licences, 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 projects. Other additional requirements on the contractors or sub-contractors may be imposed by the property developers, main contractors, or other entities, as the case may be.

Foundation projects in Hong Kong public sector

Public sector projects cover projects launched by the Hong Kong Government department and statutory bodies such as the Development Bureau. In order to undertake public sector foundation and related works project, a contractor must be registered with the Buildings Department as a registered specialist contractor under the category of foundation works.

APPLICABLE LAWS AND REGULATIONS

Projects under Development Bureau

The public work projects undertaken by Architectural Services Department, Highways Department, Civil Engineering and Development Department, Drainage Services Department, Electrical and Mechanical Services Department, Lands Department, Land Registry, Planning Department and Water Supplies Department fall under the administration of the Development Bureau. If a contractor wishes to undertake foundation contracts/subcontracts of unlimited value in the public sector, it must be included in the “*List of Approved Suppliers of Materials and Specialist Contractors for Public Works*” which is administered by the Works Branch of the Development Bureau under the category of “Land Piling, Group II” 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.

Even if the main contractor holds all the required registrations for the projects, sub-contractors are required to register on the Subcontractor Registration Scheme at the Construction Industry Council (建造業議會) to participate in public projects commissioned by Hong Kong Government departments and statutory bodies. All capital works and maintenance works contracts of the Hong Kong Government with tenders to be invited on or after 15 August 2004 shall require the contractor to employ all sub-contractors (whether nominated, specialist or domestic) that are either registered from the respective trades available under the Subcontractor Registration Scheme maintained by the Construction Industry Council, or will complete their registration before the execution of the relevant subcontracted works.

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 Approved 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 employed and working capital and annual turnover applicable to the appropriate category and group. In granting a registration/approval to a foundation contractor, Works Branch of the Development Bureau takes into consideration, among others, (a) the contractor’s financial strength; (b) the contractor’s technical experience and management capability; and (c) the machinery and equipment maintained by the contractor.

For admitting and remaining as an approved contractor on the Approved Specialist List (Group II — Land piling category), our Group is required to meet the minimum financial criteria and other requirements as follows:

a. Minimum employed capital

HK\$9.3 million plus a minimum annual turnover of HK\$50 million in each of the immediate past three years.

b. Minimum working capital

HK\$8.6 million or 10% of the combined annual value of uncompleted works on outstanding contracts both in public and private sectors, whichever is higher.

APPLICABLE LAWS AND REGULATIONS

- c. Minimum technical and management criteria/other requirements
- i. A registered specialist contractor in the foundation sub-register under the Buildings Ordinance;
 - ii. Possess quality management system certificates issued under the rules of the Hong Kong Certification Body Accreditation Scheme operated by the Hong Kong Accreditation Service, i.e. bearing the accreditation mark of the Hong Kong Certification Body Accreditation Scheme, and quality management system certificates bearing the accreditation mark of other accreditation bodies which are considered as having an equivalent standard by the relevant government departments. The scope of certificate shall be relevant to the piling system under application;
 - iii. 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. Top management shall be the president, chairman, director, managing director, executive director or general manager etc.;
 - iv. 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;
 - v. Job experience: have experience as main contractor and at least three medium/large size local projects (of value above HK\$3.0 million each) were completed with good references within the past five years;
 - vi. Plant and Equipment: appropriate equipment for each system (at least one set for each system);

The plant and equipment requirements are subject to modification as technology advances and as new plant emerge. Furthermore, the type of materials and method of application that the contractors select will dictate the plant required;
 - vii. Office/Workshop Facilities: local office required and yard facilities available; and
 - viii. Others: Piling system to be registered: (1) method statement; (2) typical calculations; (3) acceptable references; and (4) satisfactory demonstration on site.

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, Vicon Construction has met the criteria and requirements on retention on the Approved Specialist List that are applicable to Vicon Construction.

APPLICABLE LAWS AND REGULATIONS

Regulatory actions against contractors by the Development Bureau

The Development Bureau may take regulatory actions against contractors in circumstances including but not limited to failure to submit accounts or meet the financial criteria within prescribed time, failure to submit a valid competitive tender for a period of three years, failure to answer queries or provide information relevant to the listing status of a contractor on the List and/or the Specialist List within the prescribed time, unsatisfactory performance, misconduct or suspected misconduct, poor site safety record, failure or refusal to implement an accepted tender, poor environmental performance, and court convictions such as contravention of site safety legislation and the Employment Ordinance and employment of illegal workers.

For instance, according to the Technical Circular (Works) No.3/2009 issued by the Development Bureau, 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 Hong Kong 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.

Also, the contractor shall be responsible for the good behaviour of his employees, agents and sub-contractors in relation to any public works contract under his control, otherwise, the contractor maybe subject to the regulatory actions if the contractor, his employees, agents or sub-contractors have committed any offence under the Prevention of Bribery Ordinance (i.e. they have solicited, accepted or been given advantage as defined in the Prevention of Bribery Ordinance) in relation to any public works contract unless the misconduct is not within the control of the contractor.

B. Laws and regulations in relation to the labour, health and safety

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

Section 3 of the Construction Workers Registration Ordinance requires construction workers to be registered for carrying out construction work on a construction site and section 5 prohibits employers to employ a person who is not a registered construction worker to carry out construction work on a construction site. Section 58 of the Construction Workers Registration Ordinance requires a main contractor for a construction site to provide device(s) that enables the data stored in a registration card in electronic form to be retrieved, and the main contractor may apply for exemption of the above requirement from the Construction Industry Council. Section 58 of the Construction Workers Registration Ordinance further requires a controller of a construction site to:

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

APPLICABLE LAWS AND REGULATIONS

- ii. furnish the Registrar of Construction Workers in such manner as directed by the Registrar of Construction Workers with a copy of the record (a) for the period of seven days after any construction work begins on the site; and (b) for each successive period of seven days, within two Business Days following the last day of the period concerned.

A person who, without reasonable excuse, contravenes section 58 of the Construction Workers Registration Ordinance commits an offence and is liable on conviction to a fine of HK\$10,000.

Under the Construction Workers Registration Ordinance, “construction work” means, inter alia, any building operation involved in preparing for any operation such as laying of foundations, excavation of earth and rock prior to laying of foundation, site clearance, site investigation, site restoration, earthmoving, tunnelling, boring, scaffolding and provision of access. “Construction site” means (subject to certain exceptions) a place where construction work is, or is to be, carried out. Under section 40 of the Construction Workers Registration Ordinance, no person shall be registered as a registered construction worker unless the Registrar of Construction Workers is satisfied, inter alia, that the person has attended the relevant construction work-related safety training course. Further, under section 44 of the Construction Workers Registration Ordinance, the Registrar of Construction Workers shall not renew the registration of a person unless the Registrar of Construction Workers is satisfied that, amongst others, (i) the person has attended the relevant construction work-related safety training course and (ii) if the registration will, on the date of expiry, have been in effect for not less than two year, the person has attended and completed, during the period of one year immediately before the date of application for renewal of the registration, such development courses applicable to his registration as the Construction Industry Council may specify. The Construction Workers Registration (Amendment) Ordinance came into effect on 1 April 2015, introducing the senior workers registration arrangement and designated workers for designated skills arrangement with the commencement date of 1 April 2015 and 1 April 2017, respectively. Under section 40A of such ordinance, from 1 April 2015 to 30 September 2016, qualified workers with no less than an accumulation of ten years of experience in their designated trade division can apply to become registered skilled workers without the need to obtain relevant trade test certificates. Sample designated trade divisions applicable for senior workers registration include carpenter, piling operative, demolition worker, ground investigation operator, etc. The designated workers for designated skills arrangement on the other hand requires workers to register as registered skilled or semi-skilled workers of designated trade divisions to perform construction work of the relevant trade divisions on construction sites.

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 the industrial sector. Under the Factories and Industrial Undertakings Ordinance, it is the duty of a proprietor of an industrial undertaking to ensure, so far as is reasonably practicable, the health and safety at work of all persons employed by it 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;

APPLICABLE LAWS AND REGULATIONS

- 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 defence commits an offence and is liable to a fine of HK\$500,000 and imprisonment for six 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, inspection and operation of hoists; (iii) the duty of contractors responsible for construction site to ensure safety of places or work; (iv) prevention of falls; (v) safety of excavations; (vi) the duty of contractors responsible for construction site to comply with miscellaneous safety requirements; and (vii) provision of first aid facilities. Non-compliance with any of these rules commits an offence and different levels of penalty will be imposed. A contractor guilty of the relevant offence could be liable to a fine up to HK\$200,000 and imprisonment up to twelve 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 of arrangements for ensuring safety and absence of risks to health in connection with the use, handling, storage or transport of plant or substances;
- providing all necessary information, instructions, training and supervision for ensuring safety and health;
- as regards any workplace under the employer's control:
 - (i) maintaining the workplace in a condition that is safe and without risks to health; and
 - (ii) providing and maintaining means of access to and egress from the workplace that are safe and without any such risks; and

APPLICABLE LAWS AND REGULATIONS

- providing and maintaining a working environment for the employees that is safe and without risks to health.

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

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

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

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

Under the Employees' Compensation Ordinance, if an employee sustains an injury or dies as a result of an accident arising out of and in the course of his employment, his employer is in general liable to pay compensation even if the employee might have committed acts of faults or negligence when the accident occurred. Similarly, an employee who suffers incapacity arising from an occupational disease is entitled to receive the same compensation as that payable to employees injured in occupational accidents. According to section 15 of the Employees' Compensation Ordinance, an employer must notify the Commissioner for Labour of any work accident by submitting the prescribed forms (submit Form 2B within fourteen (14) days for general work accidents which results in incapacity to an employee for a period not exceeding three days, or submit Form 2 within fourteen (14) days for general work accidents which results in incapacity to an employee for a period exceeding three days or within seven days for fatal accidents) irrespective of whether the accident gives rise to any liability to pay compensation. If the happening of such accident was not brought to the notice of employer or did not otherwise come to his knowledge within such periods of seven or fourteen (14) days (as the case may be) then such notice shall be given not later than seven days or, as may be appropriate, fourteen (14) days after the happening of the accident was first brought to the notice of the employer or otherwise came to his knowledge.

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

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Pursuant to section 40 of the Employees' Compensation Ordinance, all employers (including contractors and sub-contractors) are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees). Where a main contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount no less than HK\$100 million per event (where the number of employees in relation to whom the policy is in force does not exceed 200) and no less than HK\$200 million per event (where the number of employees in relation to whom the policy is in force exceeds 200) to cover its liability and that of its sub-contractor(s) under the Employees' Compensation Ordinance and at common law.

Where a main contractor has taken out a policy of insurance in respect of the liability of the main contractor and the liability of his sub-contractor, the sub-contractor insured under the policy shall be regarded as having complied with section 40 of the Employees' Compensation Ordinance.

In project where we act as sub-contractor and rely on the foundation main contractor to maintain such insurance to cover their liability. Thus, we have not maintained any employees' compensation insurance specifically in respect of such projects prior to being licensed as main contractor. Nevertheless, we maintain the employees' compensation insurance for our employees when we act as the foundation main contractor pursuant to the ordinance abovementioned.

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 HK\$100,000 and imprisonment for two years and on a summary conviction to a fine of HK\$100,000 and imprisonment for one year.

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

A main contractor is subject to the provisions on wages of sub-contractor's employees in the Employment Ordinance. Under section 43C of the Employment Ordinance, if any wages become due to an employee who is employed by a sub-contractor on any work which the sub-contractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the main contractor and every superior sub-contractor jointly and severally.

The liability of a main contractor and superior sub-contractor (where applicable) is 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 two months (such months shall be the first two months of the period in respect of which the wages are due).

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

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contractor shall, within fourteen (14) days after receipt of the notice, serve a copy of the notice on every superior sub-contractor to that sub-contractor (where applicable) of whom he is aware. A main contractor who without reasonable excuse fails to serve notice on the superior sub-contractor(s) shall be guilty of an offence and shall be liable on conviction to a fine of HK\$50,000.

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

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)

Under section 38A of the Immigration Ordinance, a construction site controller, (i.e. the main contractor and includes a sub-contractor, 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\$34.5 per hour) during the wage period for every employee engaged under a contract of employment under the Employment Ordinance. Any provision of the employment contract which purports to extinguish or reduce the right, benefit or protection conferred on the employee by the Minimum Wage Ordinance is void.

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

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

Employers are also required to enrol their casual employees, who are aged between 18 but under 65 years of age and employed in the construction industry on a day-to-day basis or for a fixed period of less than sixty (60) days in a MPF scheme within the first ten days of employment, regardless of the length of the employment period.

For both employees and employers, it is mandatory to make regular contributions into a MPF scheme. Industry Schemes were established under the MPF system for employers in the construction industry in view of the high labour mobility in these two industries, and in fact most employees in such industry are casual employees.

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

- foundation and associated works;
- civil engineering and associated works;
- demolition and structural alteration works;
- refurbishment and maintenance works;
- general building construction works;
- fire services, mechanical, electrical and associated works;
- gas, plumbing, drainage and associated works; and
- interior fitting-out works.

The Mandatory Provident Fund Schemes Ordinance does not stipulate that employers in the construction industry must join the Industry Schemes. The Industry Schemes provide convenience to the employers and employees in the construction industry. 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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C. 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 311 R of the Laws of Hong Kong), the Air Pollution Control (Smoke) Regulations (Chapter 311C of the Laws of Hong Kong) and Air Pollution control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong). The contractor responsible for a construction site shall devise, arrange methods of working and carry out the works in such a manner so as to minimise dust impacts on the surrounding environment, and shall provide experienced personnel with suitable training to ensure that these methods are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require that building works involving asbestos must be conducted only by registered qualified personnel and under the supervision of a registered consultant.

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

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

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

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

The Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation came into effect on 1 June 2015 to introduce regulatory control on the emissions of non-road mobile machinery, including non-road vehicles and regulated machines such as crawler cranes, excavators and air compressors. Unless exempted, non-road mobile machinery which is regulated under this provision is required to comply with the emission standards prescribed under this regulation. From 1 September 2015, all regulated machines sold or leased for use in Hong Kong must be approved or exempted with a proper label in a prescribed format issued by the Environmental Protection Department pursuant to section 4 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. Under section 5 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation, starting from 1 December 2015, only approved or exempted Non-road Mobile Machineries with a proper label are allowed to be used in specified activities and locations including construction sites. However, subject to the application to the air pollution control authority, the non-road mobile machinery which is already in Hong Kong on or before 30 November 2015 is exempted from complying with the emission requirements pursuant to section 11 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. A period of six months (from 1 June 2015 to 30 November 2015, both dates inclusive) was allowed for the pre-existing non-road mobile machinery to apply for exemption.

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

Pursuant to a Technical Circular issued by the Works Branch of the Development Bureau on 8 February 2015, the Works Branch of the Development Bureau plans to progressively phase out the use of four types of exempted Non-road Mobile Machineries (namely generators, air compressors, excavators and crawler cranes) in all new capital works contracts of public works with an estimated contract value exceeding HK\$ 200 million and tenders invited on or after 1 June 2015.

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The implementation plan of the Works Branch of the Development Bureau to phase out the use of exempted Non-road Mobile Machineries is as follows:

	Phase I (Tenders to be invited from 1 June 2015 to 31 May 2017)	Phase II (Tenders to be invited from 1 June 2017 to 31 May 2019)	Phase III (Tenders to be invited from 1 June 2019 onwards)
Generators	No exempted Non-road Mobile Machinery is allowed	No exempted Non-road Mobile Machinery is allowed	No exempted Non-road Mobile Machinery is allowed
Air Compressors	No exempted Non-road Mobile Machinery is allowed	No exempted Non-road Mobile Machinery is allowed	No exempted Non-road Mobile Machinery is allowed
Excavators	Exempted Non-road Mobile Machinery shall not exceed 50% of all units on site	Exempted Non-road Mobile Machinery shall not exceed 20% of all units on site	No exempted Non-road Mobile Machinery is allowed
Crawler Cranes	Exempted Non-road Mobile Machinery shall not exceed 50% of all units on site	Exempted Non-road Mobile Machinery shall not exceed 20% of all units on site	No exempted Non-road Mobile Machinery is allowed

From 1 June 2019 onwards, certain exempted Non-road Mobile Machinery may still be permitted at the discretion of the architect or engineer if there is no feasible alternative.

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

The Noise Control Ordinance regulates, 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 H-piling during the daytime, not being a general holiday, construction noise permits are required from the Noise Control Authority in advance. The carrying out of percussive H-piling is prohibited between 7:00 p.m. and 7:00 a.m. or at any time on general holidays.

Under the Noise Control Ordinance, construction works that produce noises and the use of powered mechanical equipment (other than percussive H-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 Noise Control Authority 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 Noise Control Authority. Percussive pile driving is allowed on weekdays only with prior approval, in the form of a construction noise permit from the Noise Control Authority.

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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 second or 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 Environmental Protection.

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 six months and (a) for a first offence, a fine of HK\$200,000; and (b) for a second or subsequent offence, a fine of HK\$400,000, and in addition, if the offence is a continuing offence, to a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

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

The Waste Disposal Ordinance controls 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.

Under the Waste Disposal Ordinance, a person shall not use, or permit to be used, any land or premises for the disposal of waste unless he has a licence from the Director of Environmental Protection. A person who uses, or permits to be used, any land or premises for the disposal without such licence commits an offence and is liable to (i) a fine of HK\$200,000 and to imprisonment for six months for the first offence; (ii) to a fine of HK\$500,000 and to imprisonment for six months for a second or subsequent offence; and (iii) in addition, if the offence is a continuing offence, to a fine of HK\$10,000 for each day during which it is proved to the satisfaction of the court that the offence has continued.

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

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construction work with a value of HK\$1.0 million or above will be required to, within twenty-one (21) days after being awarded the contract, establish a billing account in respect of that particular contract with the Director of Environmental Protection Department to pay any disposal charges for the construction waste generated from the construction work under that contract.

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

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

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 imprisonment for six months on a first conviction; and to a fine of HK\$500,000 and imprisonment for two 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 purpose of 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 prior to their construction and operation (and decommissioning, if applicable), unless otherwise exempted.

Under 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 Ordinance without an environmental permit for the project; or contrary to the conditions, if any, set forth in the permit. The offender is liable (a) on a first conviction on indictment to a fine of HK\$2.0 million and imprisonment for six months; (b) on a second or subsequent conviction on indictment to a fine of HK\$5.0 million and imprisonment for two years; (c) on a first summary conviction to a fine of HK\$100,000 and imprisonment for six months; (d) on a second or subsequent summary conviction to a fine of HK\$1.0 million and 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.

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

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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 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 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 upon conviction and a daily fine of HK\$200.

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

Law and regulation in relation to levy

Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong) (“CICO”)

According to sections 32 and 33 of the CICO, construction industry levy (“**CIL**”) is payable by registered contractors appointed under section 9 of the Buildings Ordinance or any persons who carry out construction operations in Hong Kong to the Construction Industry Council (“**CIC**”). “Construction operation” is exhaustively defined under Schedule 1 of the CICO, which includes building works and street works as defined in section 2(1) of the Buildings Ordinance (such as site formation works, foundation works and demolition works) or other operations such as construction, excavation, tunnelling and boring.

The CIL chargeable is 0.5% of the total value of the construction operations (as defined under section 53 of the CICO). Pursuant to section 32 and Schedule 5 of the CICO, no CIL is chargeable for any construction operations not exceeding HK\$1.0 million.

According to section 34 of the CICO, the contractor and authorised person each are required to inform the CIC in a specified form (Form 1) in respect of their construction operations within 14 days after its commencement. It is an offence if a person without reasonable excuse failed to give such notice and liable to a fine of HK\$2,000. Notice is only required for term contract or if the reasonable estimation of the total value of construction operations exceeds HK\$1.0 million.

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Pursuant to section 35 of the CICO, a contractor is required to give a Notice of Payment (“**NOP**”) in a specified form (Form 2) to the CIC within fourteen (14) days after the contractor receives a payment in respect of the construction operation. It is an offence if a person without reasonable excuse fails to give the NOP and liable to a fine of HK\$10,000.

Pursuant to section 36 of the CICO, a contractor is required to give a Notice of Completion (“**NOC**”) in a specified form (Form 3) to the CIC within fourteen (14) days after the completion of the construction operation. It is an offence if a person without reasonable excuse fails to give the NOC and liable to a fine of HK\$10,000.

The CIC shall assess the CIL payable upon receiving the NOP or NOC and give a Notice of Assessment (“**NOA**”) in writing specifying the amount of CIL. The CIC can also make the assessment notwithstanding no NOP or NOC has been given. According to section 41 of the CICO, if a contractor fails to give the NOP or NOC without a reasonable excuse, a surcharge not exceeding twice the amount of the CIL payable may be imposed and a Notice of Surcharge (“**NOS**”) in writing shall be given by the CIC.

According to section 46 of the CICO, if the contractor fails to pay in full the amount of levy or surcharge within twenty-eight (28) days after the NOA or NOS is given, a 5% penalty of the unpaid amount shall be imposed. If the contractor still fails to pay the unpaid amount within three months after the expiry of twenty-eight (28) days, a further 5% penalty of the unpaid amount shall be imposed.

CIL, surcharge, penalty or further penalty is recoverable by the CIC as civil debt under the jurisdiction of the District Court. The time limits for the CIC to make the assessment or imposing the surcharge under sections 42 to 45 of the CICO are, whichever is the last of the following periods:

- (a) two years after the completion of all construction operations under the contract, or without term contract two years after the completion of the construction operations;
- (b) two years after the expiry of the period within which the contract stipulates that all such construction operations have to be completed; and
- (c) one year after evidence, sufficient in the opinion of the CIC to justify the making of the assessment, comes to its knowledge.

Pneumoconiosis and Mesothelioma (Compensation) Ordinance (Chapter 360 of the Laws of Hong Kong) (“PMCO”) and Pneumoconiosis and Mesothelioma (Compensation) (Assessment of Levy) Regulations (Chapter 360A of the Laws of Hong Kong) (“PMCALR”)

According to section 35 of the PMCO, pneumoconiosis compensation fund levy (“**PCFL**”) is imposed in respect of construction operations carried out in Hong Kong. PCFL is rated at 0.15% of the value of the construction operations and not chargeable if the total value (as defined under section 39D of PMCO) do not exceed HK\$1.0 million. Pursuant to section 39A of the PMCO, PMCO does not apply to construction operations for domestic unit, or for the sole and principal purpose of renovation.

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Pursuant to section 35(5) of the PMCO, the contractor is liable to make a payment of PCFL only if the Pneumoconiosis Compensation Fund Board (“PCFB”) serves a Notice of Assessment. PCFL, surcharge, penalty or further penalty is recoverable by the PCFB as civil debt under the jurisdiction of the District Court. Fraudulent evasion of the payment of PCFL is liable for a fine of HK\$10,000 or twenty (20) times the amount of PCFL, whichever is greater.

Contractors are required to:

- (a) in accordance with section 4 of the PMCALR, inform the PCFB the commencement of construction operations within fourteen (14) days thereafter by a notice of commencement (Form 1B). Failure to comply without reasonable excuse is liable for a fine of HK\$5,000;
- (b) in accordance with section 5 of the PMCALR, inform the PCFB within fourteen (14) days after the contractor receives a payment in respect of the construction operation by a NOP (Form 2B). Failure to comply without reasonable excuse is liable for a fine of HK\$5,000; and
- (c) in accordance with section 5A of the PMCALR, inform the PCFB the completion of the construction operations within fourteen (14) days by a NOC (Form 3B). Failure to comply without reasonable excuse is liable for a fine of HK\$5,000.

According to section 6 of the PMCALR, the PCFB shall assess the PCFL payable upon receiving the NOP or NOC and give a NOA in writing specifying the amount of PCFL. The PCFB can make the assessment notwithstanding no NOP or NOC has been given. If a contractor fails to give the NOP or NOC, a surcharge not exceeding twice the amount of the PCFL payable may be imposed and a NOS in writing shall be given by the PCFB.

According to section 37 of the PMCO and section 11 of the PMCALR, if the contractor fails to pay in full the amount of levy or surcharge within twenty-eight (28) days after the NOA or NOS is given, a 5% penalty of the unpaid amount shall be imposed. If the contractor still fails to pay the unpaid amount within three months after the expiry of twenty-eight (28) days, a further 5% penalty of the unpaid amount or HK\$1,000 whichever is greater shall be imposed.

The time limits for the PMFB to make the assessment or imposing the surcharge under sections 6E to 6H of the PMCALR are, whichever is the last of the following periods:

- (a) two years after the completion of all construction operations under the contract, or without term contract two years after the completion of the construction operations;
- (b) two years after the expiry of the period within which the contract stipulates that all such construction operations have to be completed; and
- (c) one year after evidence, sufficient in the opinion of the PMFB to justify the making of the assessment, comes to its knowledge.

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Competition Ordinance (Chapter 619 of the Laws of Hong Kong)

The Competition Ordinance which entered into force on 14 December 2015 (i) prohibits conduct that prevents, restricts or distorts competition in Hong Kong, (ii) prohibits mergers that substantially lessen competition in Hong Kong; and (iii) provides for incidental and connected matters. The Competition Ordinance provides for the establishment of the Competition Commission with investigation powers and the Competition Tribunal with adjudicative powers. The Competition Ordinance includes, among other provisions, the First Conduct Rule, which prohibits anti-competitive conduct involving more than one party; and the Second Conduct Rule, which prohibits anti-competitive conduct by a party with substantial market power.

The First Conduct Rule

The First Conduct Rule provides that an undertaking must not (a) make or give effect to an agreement; (b) engage in a concerted practice; or (c) as a member of an association of undertakings, make or give effect to a decision of the association, if the object or effect of the agreement, concerted practice or decision is to prevent, restrict or distort competition in Hong Kong. Examples of serious anti-competitive conduct includes (i) fixing, maintaining, increasing, or controlling the price for the supply of goods or services; (ii) allocating sales, territories, customers or markets for the production or supply of goods or services; (iii) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods or services; and (iv) bid-rigging practices.

The Second Conduct Rule

The Second Conduct Rule provides that an undertaking that has a substantial degree of market power in a market must not abuse that power by engaging in conduct that has as its object or effect the prevention, restriction or distortion of competition in Hong Kong. Factors which may be taken into account when determining whether an undertaking has such power includes the market share of the undertaking, the undertaking's power to make pricing and other decisions; and any barriers to entry to competitors into the relevant market.

The Competition Ordinance prohibits the abuse of a substantial degree of market power and provides two examples of abusive conduct. An undertaking with a substantial degree of market power may commit an abuse by engaging in “predatory behaviour towards competitors” or by “limiting production, markets or technical development to the prejudice of consumers”.

Consequences of non-compliance with the Competition Ordinance

Penalties that the Competition Tribunal may impose for contraventions of a competition rule include pecuniary penalties, awards of damages, and interim injunctions during investigations or proceedings. The maximum penalty in relation to a “single contravention” can be up to 10% of the annual turnover obtained by the undertaking concerned in Hong Kong for each year the infringement lasted, with a maximum of three years. The Competition Tribunal may also order the disqualification of responsible directors for up to five years, award injunctions, declare agreements to be void, award damages, confiscate illegal profits, and order the payment of costs of the Competition Commission's investigation.

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

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

When it comes into force, SOPL will apply to all written and oral contracts where construction works or plant and materials are being supplied for works in Hong Kong. All public sector construction contracts will be caught by the legislation, whereas only construction and supply contracts relating to a “new building” (as defined by the Buildings Ordinance) which has an original value in excess of HK\$5.0 million will be caught in private sector. However, where SOPL applies to the main contract, it will automatically apply to all subcontracts in the contractual chain.

The new legislation will:

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

Under the scope of the proposed SOPL, the parties will retain a large degree of freedom to agree payment terms, such as when claims for payment can be made for works, services or supplies and how payments are valued. The adjudication model under the proposed SOPL that provides a means to resolve payment disputes expediently is available not only to sub-contractors but also to main contractors, which allows main contractors to be entitled to adjudicate against its customer for payment.

The proposed SOPL is subject to the finalisation of the legislation framework and the legislative process by the Hong Kong Government.

MACAU LAWS AND REGULATION

Laws and regulations in relation to the contractor licensing regime

Under the current registration system in Macau established by Decree Law 79/85/M of 21th of August, 1985 (General Regulation of Urban Construction) and Administrative Regulation No. 3/2003

APPLICABLE LAWS AND REGULATIONS

(Conditions for project planning, management and execution of works and for the installation of gas networks and the installation and repair of gas appliances), a contractor who is an individual or corporate entity, must register with the Land, Public Works and Transport Bureau of Macau (“**LPTB**”) in order to carry out works in Macau (the “**Registration of Work**”).

The Registration of Work is compulsory in nature and is divided into two main categories: urban construction and gas. For the urban construction, it is a requisite for contractor who intends to elaborate construction plan and to execute construction. For gas, it is a requisite for contractor who intends to elaborate of installation of gas network or/and gas device.

The duration of validity of the above-mentioned registration is last for one year and will expire at the end of each year. Application of renewal of registration shall have to submit within January of each year, otherwise, the registration will be cancelled.

For the application of the Registration of Work, according to the mentioned legislations, it is required to include a declaration made by a technician registered with the LPTB who declares to be the responsible technician of the contractor.

The registration of technician is also divided into two categories: technician of urban construction and technician of gas. For the technician of urban construction, it is a requisite for technician who intends to elaborate construction plan and to direct construction. For technician of gas, it is a requisite for technician who intends to elaborate plan of installation of gas network or direct the respective works.

Based on the above, in order to participate in public tender of works, the Registration of Work is one of the prerequisites.

The infraction of the mentioned regimes will lead to administrative fine and the respective regulatory body is the Land, Public Works and Transport Bureau.

Macau Legislative Assembly has enacted a new law on January 2015 namely Law No. 1/2015 regarding a qualification regime of urban architecture and urban planning which was entered into force on 1 July 2015 meanwhile a supplementary regulation of which has been promulgated by the Macau Chief Executive namely Administrative Regulation No. 12/2015 which a set of details rules has been set out therein for the implementation of the mentioned law.

The regime stipulates the profession qualification and registration system for related professionals such as architects, engineers, landscape architects, urban planners, etc. as well as the qualification and registration system for planning, engineering guidance or project monitoring personnel which is going to replace the respective current regime as above mentioned.

Under the new regime, professional qualifications are obtained through accreditation and registration. The “Professional Committee of Architecture, Engineering and Urban Planning” establishes under the Administrative Regulation No. 13/2015 is responsible to carry out those relevant procedures and the qualification is obtained through the registration at the LPTB.

APPLICABLE LAWS AND REGULATIONS

To apply for registration, applicant shall be a holder of bachelor degree of relevant fields, resident of the Macao Special Administrative Region, completed the two years full-time or five years part-time internships and passed the respective qualification examination.

Laws and regulations in relation to environmental protection and pollution

The fundamentals of the legal regime of environmental protection law of Macau, which is applicable to every individual and corporate entity, are the Basic Law of Macau, Law No. 2/91/M of 11th of March, 1991 which is known as the organic environmental law of Macau (the “Macao Environment Law”) and series of international conventions in related fields applicable to Macau.

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

As a general rule prescribed in the Macao Environmental Law, any violation of the environmental legislations will subject to civil liability, administrative fine or criminal punishment depending on different violations and also administrative injunction is possible to be granted to cease environmental infringement.

In addition, approval regarding environmental impact issued by LPTB is a requisite for the issue of licenses of any construction project in Macau.

In Macau, there is a general rule prescribed in General Regulation of Public Place (approved by Administrative Regulation No. 28/2004) (“GRPP”) that every work involved solid waste shall be arranged and conducted in order to avoid and reduce to the most extent the risk to public health and environmental damage.

Under the GRPP, it is prohibited to discharge drain water or any contaminated fluid or gas to public place. Wheels and tires of vehicles shall be washed before entering the public road.

Violation of GRPP is an administrative infraction which is subject to fine.

Regarding noise pollution issue, there is a legislation named Decree law 54/94/M of 14th of November, 1994 (certain regulations of prevention and control of ambient noise) and its subordinate rule, Order No. 241/94/M of 14th of November, 1994, promulgated to set out the applicable acoustic standard in this aspect. Under the mentioned decree, unless otherwise approved by the relevant authority, it is prohibited to use pile driver or jackhammer during the whole day of Sunday and public holidays and 20:00 to 08:00 during weekdays. In addition, any civil construction works by using movable or fixed mechanical equipments are also prohibited to carry out within 200 meter range from the residential apartments and hospitals during the mentioned time period.

APPLICABLE LAWS AND REGULATIONS

The Legislative Assembly of Macau has promulgated a new legislation recently noise pollution namely Law 8/2014 (Prevention and Control of Environmental Noise) and its subordinate rule, Chief Executive Dispatch No. 248/2014, promulgated to set out the applicable acoustic standard in this aspect in order to replace the mentioned Decree 54/94/M and its subordinate rule, Order No. 241/94/M. The new legislation and its subordinate rule were gazetted on 25 August 2014 and 1 September 2014 respectively and became effective on 22 February 2015. According to the new legislation, unless otherwise be considered as exceptional situations and approved by the relevant authority, piling is prohibited during the whole day of Sunday, public holidays and 20:00 to 08:00 during weekdays and civil construction works by using movable or fixed mechanical equipments are also prohibited to carry out within 200 meter range from the residential apartments and hospitals during the mentioned time period. In addition, percussive diesel hammer, pneumatic hammer and steam hammer are prohibited to be used in any construction.

Besides, all projects and constructions which may affect the environment or the health of residents must be subject to a preliminary study of environmental impact. Moreover, the Macau Environmental Law prescribes that violations of the environmental legislation will lead to civil liability, administrative penalties or criminal liability (Article 268 of the Macau Criminal Code prescribes pollution-related crimes), depending on the degree of the violation in question. Furthermore injunctions may be granted in order to cease environmental infringements.

The regulatory authority in charge of environmental protection matters is the Macau Environmental Protection Bureau which has promulgated certain environmental protection guidelines in relation to different kind pollution in connection to construction site, such as renovation, demolition and noise. However, police authorities are also legally entitled to monitor the compliance of regulation.

Laws and regulations in relation to construction safety and hygiene

In Macau, there is a legal regime established by Decree Law 44/91/M of 19th of July, 1991 (Construction Safety and Hygiene Regulation). Regarding construction safety and hygiene and the respective penalty regime is stipulated under Decree Law 67/92/M 14th of September, 1992. The mentioned regime is with a purpose to create basic statutory requirements for site safety with respect to different aspects such as: general prevention, circulation and maintenance of vehicles and mechanical equipment, lifting devices, and also individual and group safety measures applicable to the workers. The infraction of the mentioned regime will lead to administrative fine and the respective regulatory body is Macau Labor Department.

Laws and regulation in relation to the import of construction machinery

Import of goods is kind of foreign trade activities in Macau governed by the Law No. 7/2003 (Foreign Trade Law), the Administrative Regulation No. 28/2003 (Foreign Trade Regulation) together with their amendments promulgated thereafter of Macau (the “**Macau Foreign Trade Law**”) as well as the Chief Executive Dispatch No.487/2016 (collectively referred to as “Macau Foreign Trade Law”). Since construction machinery is included under the Annex II (Import — Table B) of the said dispatch, according to the respective provisions of the Macau Foreign Law, the import of construction

APPLICABLE LAWS AND REGULATIONS

machineries (such as tractors, concrete-mixer truck and etc.) is subject to the Import Pre-licensing System and the respective import license is required to be obtained from the Bureau of Transport Affairs in advance, and on the day of importation, such license together with all other documents as required under the said legislations has to be submitted at the custom station for custom clearance.

Import of the construction machinery without import license may lead to fine in an amount between MOP\$5,000.00 and MOP\$100,000.00 and confiscation according to the applicable legislations.

Laws and regulations in relation to labour related matters

Under the current registration system in Macau established by Decree Law 79/85/M of 21th of August, 1985 (General Regulation of Urban Construction) and Administrative Regulation No. 3/2003 (Conditions for project planning, management and execution of works and for the installation of gas networks and the installation and repair of gas appliances), a contractor who is an individual or corporate entity must register with the Land, Public Works and Transport Bureau of Macau (“LPTB”) in order to carry out works in Macau (the “Registration of Work”).

Besides of the mentioned legislation, Law No. 7/2008 — Labour Relations Law plays an important role in labour legal regime. It stipulates the basic requirements and working conditions for all labour relations, except for those which have been excluded explicitly therein. In general, such requirements and conditions stipulated are statutory and cannot be prevailed by mutual agreement.

In addition, the following legislations and their respective applicable amendments governed other different labour and related matters:

- **22nd of May, 1989 — Decree Law No. 37/89/M (approval of general regulation of working safety and hygiene of office, service and commercial establishment):** In order to protect working safety and basic conditions of the employee, Macau published the Decree Law No. 37/89/M, which regulate about the safety and hygiene issues of Office, Service and Commercial Establishment. It standardized a series of safety and hygiene standards, in related to the general conditions of workplace, air, lighting, sanitary, fire protection and so forth. Since these stipulations are mandatory provisions and should be executed compulsorily, both of the employer and employee have no rights to minify or to abandon the fundamentals;
- **18th of February, 1991 — Decree Law No. 13/91/M (determination of sanctions for the compliance of general regulation of working safety and hygiene of office, service and commercial establishments):** every employer in Macau must comply with the rules provided under the abovementioned legislation Decree Law No. 37/89/M. Failure to comply with those rules may result in the application of fines to the employer according to this decree Law;
- **12th of July, 1993 — Decree Law no. 34/93/M (Legal Regime of Noise at Work) and its sanction regime (5th of September — Decree Law no. 48/94/M):** Employer is obliged to provide a safe, clean and environmentally friendly working conditions for the employees in line with this Decree Law no. 34/93/M. Failure to comply with those rules may result in the application of fines prescribed under Decree Law no. 48/94/M.

APPLICABLE LAWS AND REGULATIONS

- **14th of August, 1995 — Decree Law No. 40/95/M (approval of legal regime of reparation of damages caused by industrial accidents and occupational diseases):** This decree law established a legal regime with the specific aim to compensate the employee for industrial accidents and occupational diseases. It provides a comprehensive protection which covers all service industries in Macau. Furthermore, for all employees that provide services with the purpose to obtain returns, protection will be given once suffered Occupational injury or disease, regardless of the nature of service provided. Besides, this decree law required employers to have a compulsory accident insurance for employees to ensure that reasonable compensation can be obtained including medical expenses and cash payment. Noncompliance or violation of this decree Law may result in the application of fine in an amount between MOP\$ 3,000.00 and MOP\$15,000.00;

- **14th of June — Administrative Regulation No. 17/2004 (Regulation on Prohibition of Illegal Work):** The regulation define the scope of application, clearly indicates that non-resident workers who do not possess of required authorization will commit Illegal Work regardless of remuneration involved save for the exceptional situations set out in the regulation. Besides, workers who are not performing in accordance with their work permits will also commit illegal work. Violation of the Administrative Regulation No. 17/2004 will lead to the employer liable to a fine in an amount between MOP\$10,000.00 and MOP\$40,000.00 for each illegal workers; and the illegal non-resident workers shall also be liable to a fine in an amount between MOP\$5,000.00 and MOP\$20,000.00. The mentioned fine shall not exempt their criminal liability according to applicable immigration legislation.

- **Law No. 21/2009 Law on Employment of Non-Resident Workers:** Non-residents of Macau are generally not permitted to work unless a proper work permit has been obtained. The employment of such workers is subject to strict regulations included in Law No. 21/2009, which sets forth the terms for granting and renewing work permits for non-resident workers, determines measures to ensure the equal treatment of Macau resident and non-resident workers and establishes minimum contract terms and limits on the duration of employment contracts with non-resident employees. Noncompliance with the rules included in Law No. 21/2009 may constitute administrative offenses, sanctioned with fines and accessory sanctions of revocation of all or part of the authorizations to employ non-resident workers along with the prohibition to request new authorizations for a period of 6 months to 2 years, and or criminal offenses related to illegal employment, sanctioned with effective incarceration periods, fines and/or accessory sanctions.

- **Law No. 4/2010 (Social security system):** The social security system of Macau is established by this law in which the contribution is divided into mandatory contribution which is responsible by both the employer and employee and voluntary contribution which is freely contribute by other residents who are not employed. It provides basic social security, especially the old-age security, to improve the life quality of residents. For violation of the Law No. 4/2010, the infringer shall be liable to a fine in an amount between MOP\$200.00 and MOP\$1,000.00; and for a recidivist who violates the same provision within a year, the fine may be increased by one third.

APPLICABLE LAWS AND REGULATIONS

Laws and regulations in relation to foreign exchange control

Under the current economy system in Macau established by Basic Law, no foreign exchange control policies shall be applied in the Macao Special Administrative Region. The Macao Pataca shall be freely convertible and the Government of the Macao Special Administrative Region shall safeguard the free flow of capital within, into and out of the Region.

INDUSTRY OVERVIEW

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the Ipsos Report prepared by Ipsos, which was commissioned by us. We believe that the information is derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Lead Manager and any of our or their respective affiliates, advisers, directors, officers or representatives or any other person involved in the Share Offer. Neither our Group, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Co-Lead Manager and any of our or their respective affiliates, advisers, directors, officers or representatives nor any other person involved in the Share Offer make any representation as to the accuracy, completeness or fairness of such information from official government publications.

The information extracted from the Ipsos Report reflects estimates of market conditions based on sampling, and is prepared primarily as a market research tool. References to Ipsos should not be considered as the opinion of Ipsos as to the potential investment of our Shares or in our Group. Our Directors believe that the sources of information extracted from the Ipsos Report are appropriate sources for such information. We have no reason to believe that such information is false or misleading or that any material fact has been omitted that would render such information false or misleading. Our Directors confirm that after taking reasonable care, there is no adverse change in the market information since the date of the Ipsos Report.

SOURCES OF INFORMATION

We have commissioned Ipsos, an independent market research company, to conduct an analysis of, and to report on, the construction industry, especially for the foundation main contracting works in Hong Kong for the period of 2011 and 2020. The information and analysis contained in the Ipsos Report was assessed independently by Ipsos, including all its subsidiaries, divisions and units (collectively, refer to “**Ipsos Group**”), which is not connected to our Group in any way. Ipsos Limited charged us a total fee of HK\$528,000 for the preparation and the use of the Ipsos, which our Directors consider to reflect market rates.

Ipsos has conducted research and data gathering based on (i) desk research; and (ii) primary research, including face-to-face and phone interviews with key stakeholders and industry experts in Hong Kong, such as government officials, developers, main contractors, sub-contractors, architectures, quantity surveyors, and associations in Hong Kong. In addition, intelligence gathered was analysed, assessed and validated using Ipsos’ in-house analysis models and techniques.

Ipsos Limited, being one of the worldwide offices of the Ipsos Group, which employs approximately 16,000 personnel worldwide across 87 countries, is specialised in conducting researches across various industrial sectors including tourism, financial services, cosmetics, regional luxury and high net worth research.

INDUSTRY OVERVIEW

ASSUMPTIONS AND PARAMETERS USED IN THE IPSOS REPORT

The following assumptions are adopted in the preparation of the Ipsos Report:

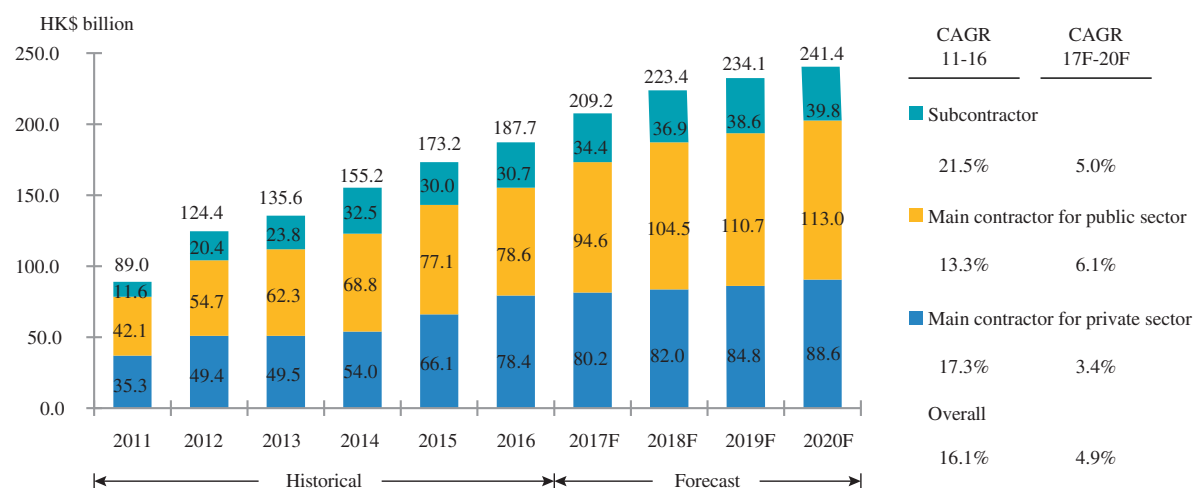
- It is assumed that there is no external shock such as financial crisis or natural disasters to affect the demand and supply of the construction and hence the foundation industry over the forecast period.
- The demand of construction and foundation works is expected to grow under government promotion such as the Ten Major Infrastructure Projects, urban renewal projects, etc.

The following parameters have been taken into account in the preparation of the Ipsos Report:

- Gross output value of overall construction works performed by main contractors and sub-contractors at construction sites in Hong Kong from 2011 to 2016
- Gross output value or revenue of the foundation contracting industry in Hong Kong from 2011 to 2016
- Historical price trend of 3 key raw materials used in the foundation contracting industry in Hong Kong from 2011 to 2016
- Average wages for workers engaging in the foundation contracting industry in Hong Kong from 2011 to 2016

MARKET OVERVIEW OF OVERALL CONSTRUCTION WORKS PERFORMED AT CONTRACTING SITES IN HONG KONG

Gross Output Value of Construction Works Performed by Main Contractors and Sub-contractors at Construction Sites in Hong Kong from 2011 to 2020



Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis

Notes:

- (1) Data refers to gross value of construction works in nominal terms performed by main contractors and sub-contractors at construction sites.
- (2) Total output value of construction works may not equal to the summation of values of main contractor for both public and private sectors and sub-contractors due to the rounding-off issues.

INDUSTRY OVERVIEW

According to the Ipsos Report, the gross output value of overall construction works performed by main contractors and sub-contractors in Hong Kong grew from about HK\$89.0 billion in 2011 to about HK\$187.7 billion in 2016, at a CAGR of 16.1%, mainly attributable to the Hong Kong Government's initiative to launch more construction projects for prompting economic growth. In particular, the Hong Kong Government had been increasing its infrastructure investment over the past few years, for example the Ten Major Infrastructure Projects and Shenzhen-Hong Kong Western Corridor and Guangzhou-Shenzhen-Hong Kong Express Rail Link.

Going forward, the gross output value of construction works performed by main contractors in the public sector is expected to continue its growth from HK\$94.6 billion in 2017 to about HK\$113.0 billion in 2020, at a CAGR of 6.1%. Apart from infrastructure projects, the public sector growth is also expected to be driven by public housing as the Hong Kong Government launched various initiatives to boost the housing supply. From 2011 to 2016, the number of public housing units increased from about 11,186 units to about 14,293 units, at a CAGR of about 5.0%. In addition, the Housing Authority and the Hong Kong Housing Society will produce about 97,100 public housing units over the next 5 years, of which about 76,700 will be public rental house units and about 20,400 will be subsidised sale flat. According to 2016-17 Budget, the Hong Kong Government has adopted the public housing supply target of 280,000 units for the ten-year period from 2016 to 2026.

On the other hand, the gross output value of construction works performed in the private sector experienced a slightly slower growth from 2011 to 2016 which grew from HK\$35.3 billion to HK\$78.4 billion, representing a CAGR of 17.3%. Several key drivers had led to the above growth including the increase of residential housing units and growing demand for office and commercial buildings. In particular, the total number of private residential housing units completed in Hong Kong increased from about 9,449 to about 14,595 from 2011 to 2016. In addition, a total of 16 residential sites were further sold or will be put up for sale under the Land Sale Programme in 2015-2016 and, the projected supply from the first-hand residential property market for the coming three to four years is approximately 87,000 units. Thus, the gross output value of construction works performed by main contractors in the private sector is projected to grow from HK\$80.2 billion in 2017 to HK\$88.6 billion in 2020, at a CAGR of 3.4%.

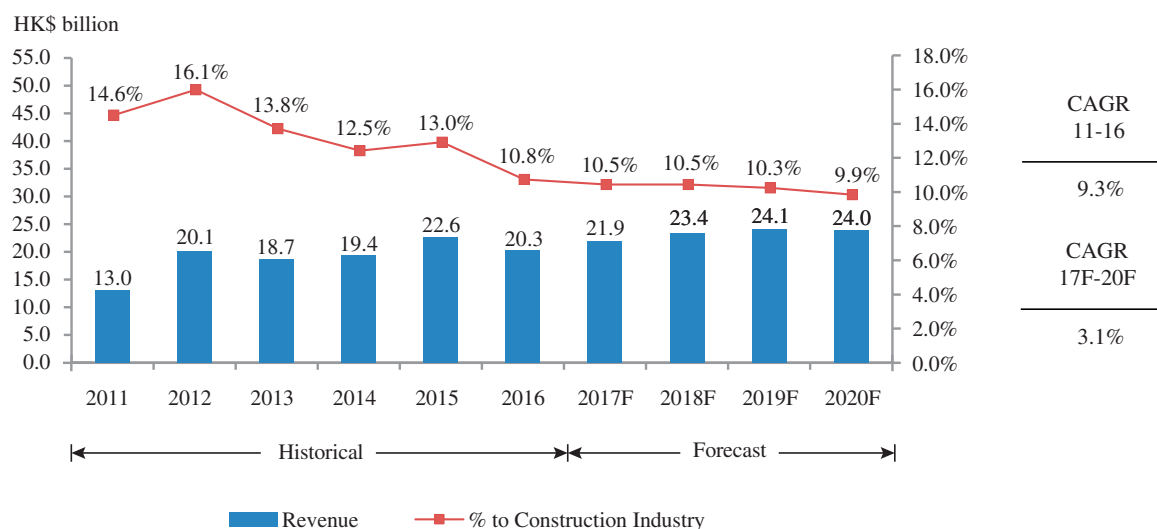
The gross output value of the construction works performed by sub-contractors grew at a CAGR of 21.5% from HK\$11.6 billion in 2011 to HK\$30.7 billion in 2016. This can be attributed to the growing size and complexity of construction projects. Large and complex contracts generally need sub-contractors to perform specific construction works to effectively allocate resources and utilise the expertise of different sub-contractors. With such kind of multi-level outsourcing and sub-contracting trend, along with the positive outlook of Hong Kong's construction industry, the weight of sub-contractor in the overall construction work is expected to grow continuously. According to the statistics released by the Census and Statistics Department, unlike gross output value of construction works performed by main contractors, the gross output value of construction works performed by subcontractors is not further segmented into public and private sector. It is common practice in the industry that subcontractors sign contract with the main contractor, which is a private entity, after awarded a contract. Therefore, it is difficult to segment the gross output value of construction works performed by subcontractors into private and public sector because customers of subcontractors are always private entity.

INDUSTRY OVERVIEW

MARKET OVERVIEW OF THE FOUNDATION CONTRACTING INDUSTRY IN HONG KONG

According to the Ipsos Report, foundation works such as piling are precursor for most other construction works and are conducted upon the commencement of a construction project. Hence, the growth of the foundation industry and that of the construction industry are closely related.

Revenue of Foundation Contracting Industry in Hong Kong from 2011 to 2020



Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis

Notes:

- (1) Data refers to gross output value of piling and related foundation works in nominal terms performed by main contractors and sub-contractors at construction sites.

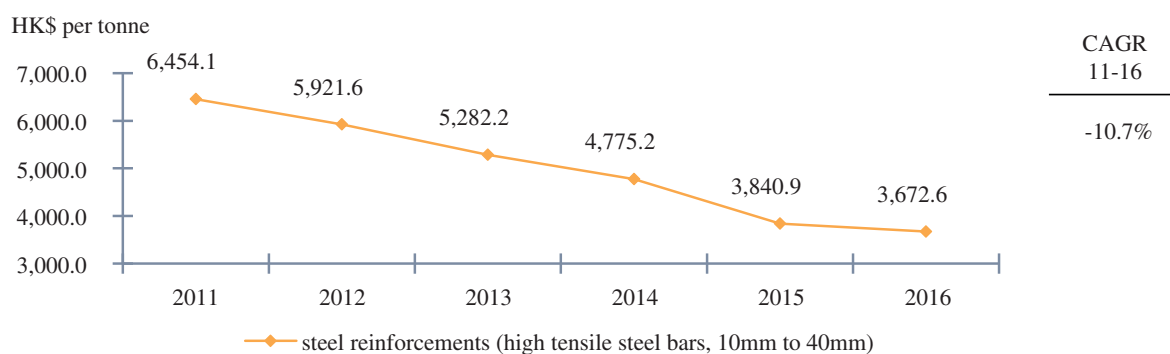
According to the Ipsos Report, there was a significant growth in the revenue of the foundation contracting industry in Hong Kong from HK\$13.0 billion to HK\$20.3 billion from 2011 to 2016, at a CAGR of 9.3%. Given that foundation works such as piling works are conducted once a construction project commences, the growth of the foundation industry reflects that of the entire construction industry. Thus, the increase in revenue of foundation contracting industry between 2011 and 2016 was mainly attributable to construction industry for both public and private sector.

INDUSTRY OVERVIEW

From 2017 to 2020, the revenue of the foundation contracting industry is expected to grow from about HK\$21.9 billion to about HK\$24.0 billion, at a CAGR of 3.1%. It is estimated that land supply in 2016-17 has a capacity to provide over 29,000 units, including 19,000 units generated from the 2016-17 Land Sale Programme and the remaining units generated from railway property development projects, the Urban Renewal Authority's projects, and private redevelopment and development projects. In addition, about HK\$81.0 billion is expected to be spent on hospital projects such as the construction of Tin Shui Wai Hospital and Hong Kong Children's Hospital, the expansion of United Christian Hospital as well as the redevelopment of Kwong Wah Hospital.

MAJOR CONSTRUCTION COSTS OF THE FOUNDATION CONTRACTING INDUSTRY IN HONG KONG

Price Trend of Steel Reinforcements in Hong Kong from 2011 to 2016



Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis

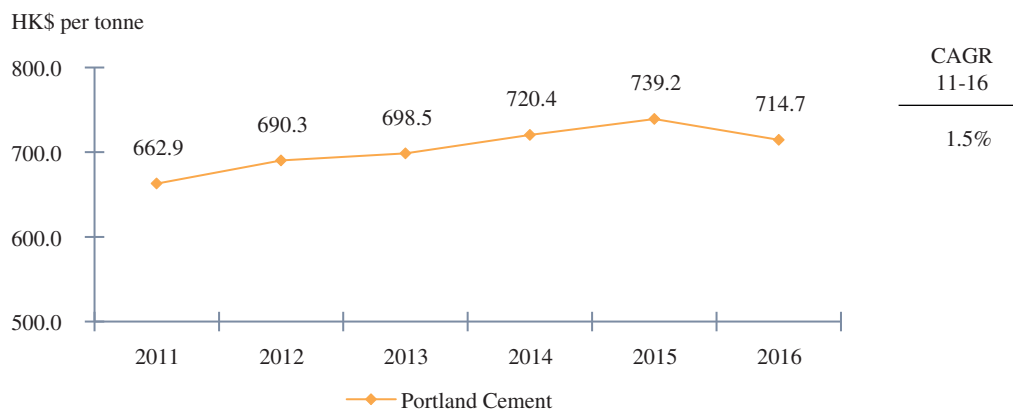
Notes:

(1) Data for 2016 refers to the average price from January to May 2016.

The average wholesale price of steel reinforcements decreased from an average of HK\$6,454.1 per tonne to an average of HK\$3,672.6 per tonne, at a CAGR of -10.7%, from 2011 to 2016. During the 2011 to 2014, the decrease in average wholesale price for steel reinforcement imported in Hong Kong was attributable to the global drop in demand for new construction works and the oversupply of steel. Furthermore, China had been transitioning away from investment-led growth to consumption-driven economy, which impacted the downstream industries' demand for steel and other construction materials. The steel production industry in China was implementing de-capacity in the past years, which brought impact to steel price in both China and Hong Kong. The average wholesale price of steel reinforcement decreased from 2015 to 2016.

INDUSTRY OVERVIEW

Price Trend of Portland Cement in Hong Kong from 2011 to 2016



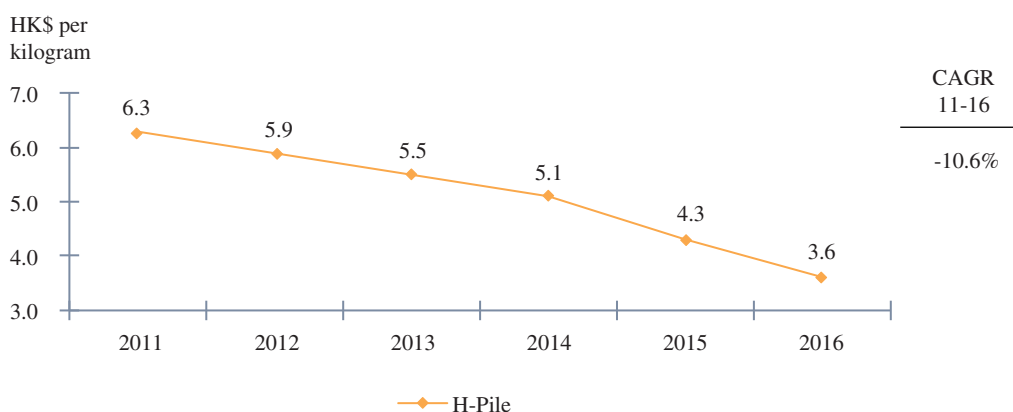
Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis

Notes:

- (1) Data for 2016 refers to the average price from January to May 2016.

The average wholesale price of portland cement in Hong Kong grew at a CAGR of 1.5%, from HK\$662.9 per tonne in 2011 to HK\$714.7 per tonne in 2016. Given the robust demand for construction works in Hong Kong, the average price of portland cement grew to HK\$739.4 per tonne in 2015 but experienced a slight decrease in 2016. This was attributed to the falling prices offered by cement companies in mainland China.

Price Trend of H-piles in Hong Kong from 2011 to 2016



Sources: Ipsos research and analysis

Notes:

- (1) Data for price of H-piles refers to the average price of hot-formed H-piles and cold-formed H-piles. Hot-formed H-pile is classified as HS Code 72161000 (<80mm), 72163300 (>80mm); cold-formed H-pile is classified as HS Code 72166900.

INDUSTRY OVERVIEW

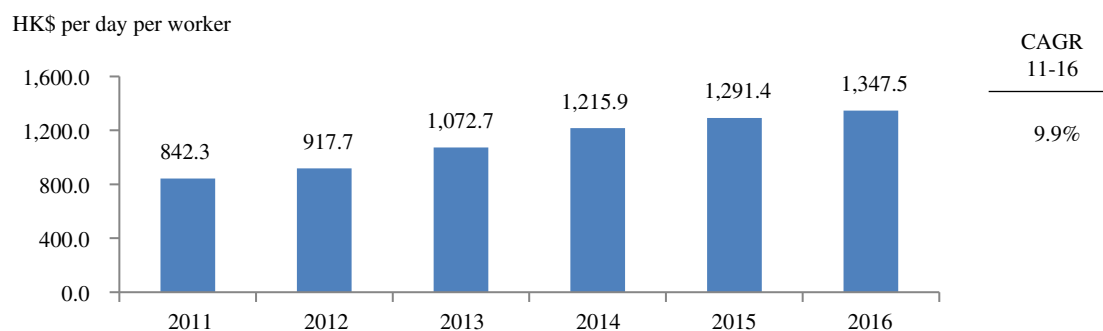
With a CAGR of -10.6%, the average wholesale price in Hong Kong of H-piles decreased from around HK\$6.3 per kilogram in 2011 to HK\$3.6 per kilogram in 2016, as the demand of H-piles from downstream industries dropped and had been financially influenced by the worsening European economy and China's tightening monetary policies. This is because both the worsening European and China's tightening monetary policies have led to the decreasing demand for construction works globally, which further caused less demand for construction materials such as H piles. As a result, the price of H piles dropped moderately.

Firstly, the worsening European economy resulted in a decline in the construction productivity in Europe. According to Eurostat, the statistical office of European Union, the construction production (volume) index recorded an overall decline from 2008 to 2013. Although the production (volume) index slightly increased from 2013 to 2016, the production (volume) index only restored to the level of 2012.

Secondly, China's tightening policies has led to the slow growth of the total investment and fixed assets investment since 2011. Additionally, China's fiscal policy shifting away from investment-led growth to the consumption-driven growth in recent years has led to the slower growth in the fixed assets investment, which further leads to the decreasing demand for construction works.

Such worsening European economy joining China's tightening monetary policy have spread the effects beyond their countries and the impact in turn affects countries around the globe, leading to the decreasing demand for construction works globally.

Average Wage of Foundation Workers in Hong Kong from 2011 to 2016



Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis

Notes:

- (1) The average wage of foundation workers includes concreters, drainlayers, masons, bar benders and fixers, general welders, construction plant mechanics, truck drivers, rock-breaking drillers, levellers, mechanical fitters, general workers and labourers.
- (2) Data for the average wage of foundation workers in 2016 refers to the average wage between January and May 2016.

INDUSTRY OVERVIEW

The foundation contracting industry has an increasing problem of labour shortage, which is worsening partly due to the decreasing number of new construction workers as well as an ageing workforce. Throughout 2011-2016, the average wage per day of foundation workers in Hong Kong has increased at a CAGR of about 9.9%, from around HK\$842.3 in 2011 to around HK\$1,347.5 in 2016. It is expected that the daily wage of foundation contracting workers in Hong Kong is expected to continue to rise over the forecast period in order to be more “attractive” towards the younger generations.

COMPETITIVE LANDSCAPE

The foundation contracting industry in Hong Kong is consolidated with the top 5 foundation contractors accounting for approximately 50.1% of the total industry revenue in 2016, with approximately HK\$10.2 billion to total revenue of the foundation industry in Hong Kong in 2016. Our Group accounted for about 1.6% to the total revenue of the foundation industry in Hong Kong in 2016. Their major businesses in foundation contracting industry include Excavation and Lateral Support, Pile Cap and Hoarding Works, Road and Drainage Works, Footing Works and Grouting Works.

As of the Latest Practicable Date, there were 153 registered contractors under the Buildings Department as the Specialist Contractors (Sub-register of Foundation Works Category), and 43 registered contractors under the Development Bureau as the Specialist Contractors for Public Works under the land piling category. Specifically, under the Development Bureau as the Specialist Contractors for Public Works under the land piling category, there were 26 registered contractors in the large diameter bored piling category and 30 registered contractors in the rock-socketed steel H-pile in pre-bored hole.

Top 5 foundation contractors engaged in the foundation contracting industry in Hong Kong in 2016

Rank	Name of Company	Headquarter location	Revenue in 2016 (HK\$ million)	Share of total industry revenue (%)	Business coverage
1	Company A	Hong Kong	2,760.8	13.6	Hand dug caisson, large diameter bored pile (with bell-out), mini-pile, precast prestressed tubular pile, rock-socketed steel H-pile in pre-bored hole, steel H-pile, steel tubular pile. Focus on both private and public projects.
2	Company C	Hong Kong	2,633.9	13.0	Hand dug caisson, large diameter bored pile (with bell-out), precast concrete pile, precast prestressed tubular pile, rock-socketed steel H-pile in pre-bored hole, steel H pile, steel tubular pile. Engage in both private and public projects but more focus on public sector.

INDUSTRY OVERVIEW

Rank	Name of Company	Headquarter location	Revenue in 2016 (HK\$ million)	Share of total industry revenue (%)	Business coverage
3	Company B	Hong Kong	2,565.7	12.6	Barrette pile, hand dug caisson, large diameter bored pile (with bell-out), mini-pile, non-percussion cast-in-situ concrete pile, percussion cast-in-situ concrete pile, precast prestressed tubular pile, rock-socketed steel H-pile in pre-bored hole, steel H-pile, steel tubular pile. Focus on both private and public projects.
4	Company D	Hong Kong	1,261.7	6.2	Large diameter bored pile (with bell-out), mini-pile, rock-socketed steel H-pile in pre-bored hole, steel H-pile. Focus on both private and public projects.
5	Company F	Hong Kong	957.0	4.7	Large diameter bored pile (with bell-out). Focus on both private and public projects.
N/A	Our Group	Hong Kong	263.5	1.3	Bored piling, ELS and pile cap construction, road and drainage works.

FACTORS OF COMPETITION

Industry reputation and proven track record

Foundation contractors with a proven track record generally have better industry reputation and higher likelihood to win tenders based on their proven reliability and experience in completing foundation works. In general, foundation contractors who had previously completed foundation works as a main contractor are more likely to be invited to tender for larger scale projects than that of foundation sub-contractors. For instance, foundation contractors must have main contractor experience in order to register on the List of Approved Suppliers of Materials and Specialist Contractors for Public Works.

Established relationships with customers, sub-contractors, raw material suppliers and workers

A foundation contractor is considered competitive if they can maintain good relationships with their customers, sub-contractors and raw material suppliers. In particular, project owners or developers tend to outsource their projects to contractors who have proven high-quality work and on-time project completion track records, especially foundation contractors whom they have previously collaborated with. Thus, it is important for new market entrants acting as foundation sub-contractor to develop close relationship with customers to capture more business opportunities and build a reputable track record, and eventually tender for larger scale projects and progress to become a main contractor.

INDUSTRY OVERVIEW

Established long-term business relationships with raw material suppliers and sub-contractors provides a foundation main contractor more flexibility in negotiating prices, resources allocation and project execution compared with their competitors. In addition, good employment relationships and wide networks are also important to retain skilled in-house labours.

Experience in foundation project management and technical expertise

The number of projects requiring sophisticated technology and engineering designs has been rising in the foundation industry in Hong Kong. With the growing size and complexity of construction projects, foundation contractors with advanced technical capabilities can cater for “design and build” projects and would be more competitive in Hong Kong’s foundation industry. Technical expertise and experience in foundation project management is also an important factor to meet project timeline, quality and budget. With good technical understanding of foundation works by an experienced project management team, the foundation main contractor is able to determine their capability effectively and efficiently source and allocate resources including workers, raw materials and specialised machineries to complete works on time and within a competitive budget. Foundation contractors with more flexibility in sourcing and allocating resources are more capable of meeting the project timeline and more likely to win foundation project tenders.

Competitive project pricing

Foundation contractors who are able to offer lower price for their services will generally be more competitive and may help them build closer relationships with customers. In addition, competitive pricing strategies differentiate a foundation contractor from its competitors which can enhance their market position.

ENTRY BARRIERS

Possession of specialised foundation works machinery

Specialised and advanced machineries are essential in the foundation industry in Hong Kong. Foundation contractors who possess their own machineries such as crawler cranes, oscillators, air compressors and other equipment are able to engage in specialised and complex projects, and tender for different kinds of foundation works. Also, they may enjoy greater flexibility in allocating resources, especially for large scale projects which requires more equipment and machineries on construction sites. For certain construction projects, developers or project owners will take preference for foundation contractors with self-owned machineries. In fact, some developers and project owners will only invite foundation contractors with self-owned machineries as a tendering pre-requisite. For instance, contractors who wish to carry out public land piling works of the Development Bureau must register on the List of Approved Suppliers of Materials and Specialist Contractors for Public Works which requires foundation contractors to have its own appropriate set of equipment and machineries.

INDUSTRY OVERVIEW

High capital requirement for foundation main contractors

In Hong Kong, foundation main contractors require large amount of initial capital to purchase or rent specialised machineries and fulfil capital requirement for registration. For instance, the minimum working capital for a foundation contractor is HK\$8.6 million if the contractor is to register on the Approved Specialist List (Group II — Land piling category) under the Development Bureau. Besides, foundation contractors also need capital to pay workers and sub-contractors. Hence, a substantial amount of initial capital is required for new market entrants and if they do not have sufficient amount of initial capital, they may face financial difficulties.

OPPORTUNITY

Construction Projects initiated by the Hong Kong Government

Construction projects initiated by the Hong Kong Government had been a key driver for the growth in the foundation contracting industry. Through the 2015-2016 Budget Speech, of the order of HK\$73.3 billion on public infrastructure, which included among others, the proposal of developing a new commercial district between Hong Kong Island and Lantau Island, as well as the feasibility study of six sites inside the hotel belt near Victoria Harbour. In addition, five railway network expansion are currently at different stages of implementation and are expected to be completed between 2015 to 2021. These projects include the West Island Line, the South Island Line (East), the Kwun Tong Line Extension, the Guangzhou-Shenzhen-Hong Kong Express Rail Link (Hong Kong Section), and the Shatin to Central Link; apart from these 5 projects, several railway projects are planned to commence in 2018 and are expected to be completed between 2023 to 2031. These projects include Northern Link and Kwun Tung Station, Hung Shui Kiu Station, Tung Chung West Extension, Tuen Mun South Extension, East Kowloon Line, South Island Line (West), and North Island Line), Public Housing Development Program and the Ten Major Infrastructure Projects.

According to the Development Bureau's forecast on tenders for the period of April 2017 to March 2018, there are currently approximately nine building construction projects expected to be tendered, for example, design and construction of redevelopment of Kwai Chung Hospital, construction of waterfront promenade adjacent to the Hong Kong Children's Hospital at Kai Tak, design and construction of Immigration Headquarters in Area 67. Among the nine upcoming building construction projects, six of them are Group C type of project, which refers to contracts of values above HK\$185 million with each range of estimated project cost exceeding HK\$300 million. As an essential procedure of building construction project, foundation and land piling works in public sector would be supported by these upcoming building construction projects under Development Bureau.

Hong Kong Government's initiative to increase the supply of residential properties

The Hong Kong population is expected to keep growing and potentially reach 8.6 million by 2036, which can infer an important growth in demand for residential properties in the future. It is also expected, as a response to this increasing demand, more construction projects of private and public residential buildings. Policies introduced by the Hong Kong Government aims to increase the supply of residential land, with for instance 80 additional Green Belt Sites, Hong Kong Government Institutions and Community sites are planned to be rezoned in order to provide around 89,000 housing

INDUSTRY OVERVIEW

units between 2014 and 2019. More land will also be allocated by the Hong Kong Government for the MTR and the Urban Renewal Authority projects. Moreover, according to the 2017 Policy Address, the Housing Authority and the Hong Kong Housing Society will build about 94,500 public housing units, of which about 71,800 will be public rental housing units and about 22,600 will be subsidised sale flats over the next five years.

THREATS

The issue of labour shortage

The problem of labour shortage in which the construction industries have been facing is widely due to the ageing workforce and a decreasing number of people joining the construction and foundation industries. The industry has an aging workforce with about 41.5% of registered workers who are aged over 50, as of August 2016. Since the commencement of numerous large scale construction projects in Macau and China, the labour shortage problem has worsen. This issue can widely be explained by the lucrative salary offers from Macau and China's construction industry compared to Hong Kong. This labour problem will potentially delay the projects of the foundation construction industry.

Growing operation costs

Growing operations costs and its upward trend were noted in the foundation industry in Hong Kong, thus this can be attributed to the increasing spending on labour and raw materials. For example, the average wage per day of foundation workers in Hong Kong has increased at a CAGR of about 9.9%, from around HK\$842.3 in 2011 to around HK\$1,347.5 in 2016. In addition, in order to counter the lucrative salary proposals from Macau and China for Hong Kong's workers, higher wage rates are now established in Hong Kong, resulting in a higher spending on labour.

COMPETITIVE STRENGTHS

Our Directors believe that we enjoy a number of competitive strengths over our competitors, further information on which is set forth in the section headed "Business — Our competitive strengths" in this prospectus.

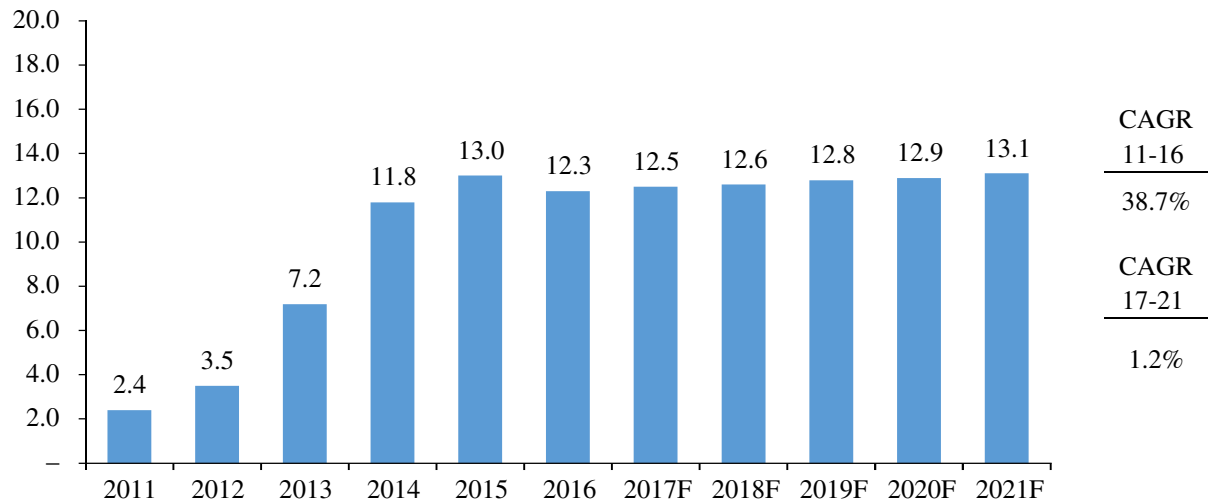
RELIABILITY OF INFORMATION IN THE IPSOS REPORT

Our Directors, after due and reasonable consideration, are of the view that there has been no adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have a material impact on the accuracy of the information therein.

INDUSTRY OVERVIEW

Gross output value of the foundation industry in Macau

Gross Output Value of Foundation Industry in Macau from 2011 to 2021



Sources: Census and Statistic Department, Macau SAR; Ipsos research and analysis

The gross output value of the foundation industry in Macau increased rapidly, from about MOP 2.4 billion in 2011 to about MOP 12.3 billion in 2016, representing a CAGR of about 38.7%. The substantial increase during 2011 and 2015 was attributed to large-scale construction projects, such as the expansion of high-speed railway linking the mainland to Macau, and the construction of new private houses, hotels and gaming facilities. The gross output value of foundation industry, therefore, surged considerably since 2011. The estimated gross output value of the foundation industry in Macau is projected to rise from about MOP 12.3 billion in 2017 to about MOP 13.1 billion in 2021, at a CAGR of about 1.2%. According to the Macau 2014 Policy address, the government has begun to execute the ‘post-19,000 units’ plan to meet the public housing demand. According to the Macau 2016 Policy Address, the government will progressively make an effort on increasing the public housing supply.

In July 2017, according to the Land, Public Works and Transport Bureau of the Macao Special Administrative (DSSOPT), the total number of contractors registered under the DSSOPT is 840. These construction contractors engage in building works, foundation works, E&M works or every kind of construction works. Unlike the registration system in Hong Kong which the category of contractors will be listed separately, the Macau Government keeps track of the total number of registered contractors in Macau without further segmenting out the category of construction works.

HISTORY, DEVELOPMENT AND REORGANISATION

BUSINESS MILESTONES

Vicon Construction was incorporated in July 2005 and was owned by previous shareholders who are Independent Third Parties. Mr. CHOW accepted the transfer of one share from one of the then shareholders of Vicon Construction on 12 April 2007, on which our business was commenced. On inception of business, Vicon Construction was a small foundation and substructure sub-contractor. At that time, Vicon Construction was the only operating entity of our Group. During the period between 2007 and 2012, the business of Vicon Construction was focused on undertaking small-scale foundation projects with the contract sum of each foundation project of less than HK\$10.0 million. The following sets forth our business milestones from April 2012:

<u>Month/Year</u>	<u>Business milestones</u>
April 2012	Mr. TSANG became a shareholder of Vicon Construction.
June 2013	Vicon Construction commenced the Mid-Levels project, which is our first targeted foundation project.
August 2013	Mr. CHOW and Mr. TSANG contributed additional capital to Vicon Construction to reach HK\$20.0 million, and Vicon Construction was owned as to 70.0% and 30.0%, respectively.
November 2013.....	Vicon Machinery was incorporated in Hong Kong with the initial business activities of trading and leasing of machinery.
August 2015	Vicon Machinery commenced the bored piling business in the Tuen Mun 1 project with the specialised machinery.
September 2015	Vicon Construction was registered as a “Registered Specialist Contractors” of the Buildings Department in the category of “Foundation Works” for foundation projects in private sector.
October 2015	Vicon Construction was registered as a “Registered General Building Contractors” of the Buildings Department for construction projects in private sector. Vicon Construction was accredited ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007.
November 2015.....	Vicon Machinery was accredited ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007.
February 2016.....	Vicon Construction was awarded the Peak project as main contractor.
August 2016	Vicon Construction (Macau) was incorporated for the purpose of exploring the business opportunities in Macau private sector.
September 2017	Vicon Construction (Macau) was awarded the first foundation project as sub-contractor in Macau.

HISTORY, DEVELOPMENT AND REORGANISATION

OUR CORPORATE DEVELOPMENT

In preparation for the Listing, our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 13 January 2016. Pursuant to the Reorganisation, as described in the paragraphs under the heading “Reorganisation” in this section, our Company became the holding company of our Group.

The followings describe the corporate history of our Company and subsidiaries.

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 13 January 2016 with an initial authorised share capital of HK\$380,000 comprising 38,000,000 Shares of HK\$0.01 each. On 13 January 2016, the initial subscribing shareholder transferred one Share to VGH. A further allotment and issuance of 69 Shares and 30 Shares were made on 13 January 2016 to VGH and OGH respectively. As of the Latest Practicable Date, our Group was owned as to 70% by VGH and 30% by OGH.

VGH is beneficially and wholly-owned by Mr. CHOW. OGH is beneficially and wholly-owned by Mr. TSANG.

As a result of the Reorganisation, our Company became the holding company of our Group. The principal business of our Company is investment holding.

Our major operating subsidiaries

Hong Kong

Vicon Construction

Mr. CHOW, our chairman, first involved in our Group when he acquired 50% interest in Vicon Construction from Mr. LEUNG Yung Hee (“**Mr. LEUNG**”) in 2007. Prior to the acquisition by Mr. CHOW, Vicon Construction was held as to 50% equally by Mr. LEUNG and Mr. YEUNG King (“**Mr. YEUNG**”), both are Independent Third Parties. On 12 April 2007, Mr. LEUNG transferred his one share of Vicon Construction to Mr. CHOW for a consideration of HK\$1, being the nominal value of the shares of Vicon Construction immediately prior to the transfer on grounds that Vicon Construction was of a net liability position.

On 1 April 2012, one share of Vicon Construction was allotted and issued to Mr. TSANG. On 25 September 2012, one share, one share and five shares of Vicon Construction were allotted and issued to Mr. TSANG, Mr. YEUNG and Mr. CHOW, respectively. On 8 January 2013, Mr. YEUNG transferred his one share of Vicon Construction to Mr. TSANG for a consideration of HK\$1.0 and one share of Vicon Construction to Mr. CHOW for a consideration of HK\$1, both being the nominal value of the shares of Vicon Construction immediately prior to the transfer. Mr. YEUNG disposed of his

HISTORY, DEVELOPMENT AND REORGANISATION

shares at the nominal value of the shares of Vicon Construction on grounds that the then existing projects engaged by Vicon Construction were still ongoing and not yet completed, thus he would like to leave the assets behind with the company for any contingent liabilities that might be incurred in the future, whereby he could leave the company completely without any possible liabilities afterwards.

On 21 August 2013, the authorised share capital of Vicon Construction was increased from HK\$10,000 comprising 10,000 shares of HK\$1.0 each to HK\$20,000,000 comprising 20,000,000 shares of HK\$1.0 each and on the same day, 5,999,997 shares and 13,999,993 shares of Vicon Construction were allotted and issued to Mr. TSANG and Mr. CHOW at nominal value, respectively. On 12 November 2013, the authorised share capital was further increased to HK\$30,000,000 comprising 30,000,000 shares of HK\$1.0 each and on the same day, 3,000,000 shares and 7,000,000 shares of Vicon Construction were allotted and issued to Mr. TSANG and Mr. CHOW at nominal value, respectively. Immediately before the Reorganisation, Vicon Construction was owned as to 70% by Mr. CHOW and 30% by Mr. TSANG. Mr. CHOW and Mr. TSANG subscribed the shares with their own funds. As a result of the Reorganisation, Vicon Construction became a direct wholly-owned subsidiary of Vicon Enterprises and an indirect wholly-owned subsidiary of our Company. The principal business of Vicon Construction is construction business, mainly focuses on foundation and site formation, including bored piling, ELS and pile cap construction, road and drainage foundation projects in the private sector in Hong Kong. Vicon Construction commenced operation in 2005.

Vicon Machinery

Vicon Machinery was incorporated in Hong Kong with limited liability on 7 November 2013 with an initial authorised share capital of HK\$10,000 comprising 10,000 shares of HK\$1.0 each. On 7 November 2013, 10,000 shares of Vicon Machinery were allotted and issued to Vicon Construction. Since the time of its establishment, Vicon Machinery has been owned as to 100% by Vicon Construction. Vicon Machinery is principally engaged in the foundation projects. Vicon Machinery commenced operation in 2013.

Macau

Vicon Construction (Macau)

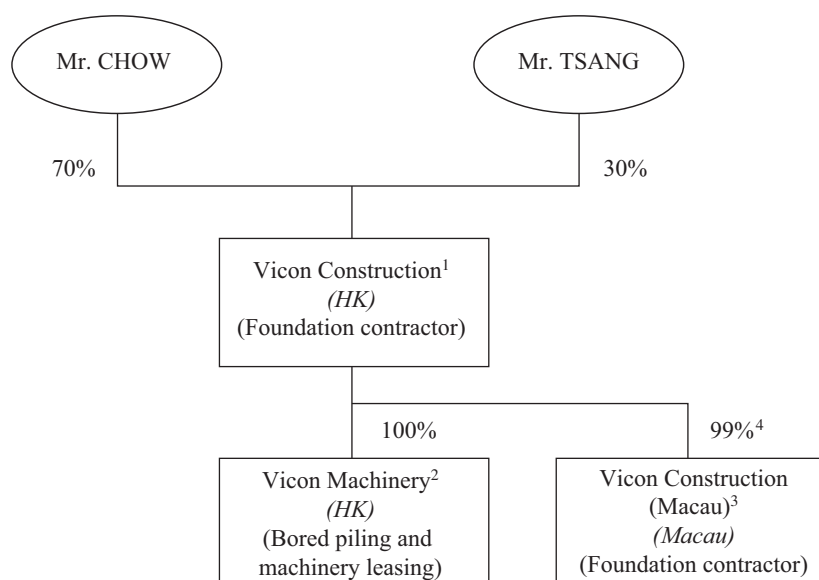
Vicon Construction (Macau) was incorporated in Macau with limited liability on 14 July 2016 with a share capital of MOP900,000 in contemplation of expansion of business in Macau. As of the date of incorporation, Vicon Construction (Macau) was owned as to 99% by Vicon Construction, 0.7% by Mr. CHOW and 0.3% by Mr. TSANG, respectively.

Vicon Construction (Macau) was a dormant company during the Track Record Period. It was awarded a bored piling project in September 2017.

HISTORY, DEVELOPMENT AND REORGANISATION

REORGANISATION

The corporate and shareholding structure of our Group immediately before the Reorganisation is set forth below:



Notes:

1. Principal business activity of Vicon Construction is construction, mainly focuses on foundation and site formation.
2. Principal business activity of Vicon Machinery is foundation projects.
3. Vicon Construction (Macau) was a dormant company during the Track Record Period. It was awarded a bored piling project in September 2017.
4. The remaining 0.7% and 0.3% in Vicon Construction (Macau) was owned by Mr. CHOW and Mr. TSANG, respectively.

Incorporation of holding companies by Mr. CHOW and Mr. TSANG to hold their respective interests in our Company

Vic Group Holdings Limited

On 12 January 2016, VGH was incorporated in the BVI to act as the holding company for the interest of Mr. CHOW in our Company. VGH has an authorised share capital of US\$50,000 comprising 50,000 shares with a par value of US\$1.00 each and one share of which was allotted and issued at par to Mr. CHOW on 12 January 2016. Mr. CHOW is the sole shareholder of VGH.

On Group Holdings Limited

On 12 January 2016, OGH was incorporated in the BVI to act as the holding company for the interest of Mr. TSANG in our Company. OGH has an authorised share capital of US\$50,000 comprising 50,000 shares with a par value of US\$1.00 each and one share of which was allotted and issued at par to Mr. TSANG on 12 January 2016. Mr. TSANG is the sole shareholder of OGH.

HISTORY, DEVELOPMENT AND REORGANISATION

Incorporation of our Company to acquire and hold interest in our Group

In preparation for the Listing, our Company was incorporated in the Cayman Islands on 13 January 2016 as an exempted company with limited liability to act as the holding company of our Group. The initial authorised share capital of our Company was HK\$380,000 comprising 38,000,000 Shares of HK\$0.01 each. On 13 January 2016, the initial subscribing shareholder transferred one issued Share of HK\$0.01 in our Company to VGH. A further allotment and issuance of 69 Shares and 30 Shares were made on 13 January 2016 to VGH and OGH, respectively. Upon completion of the above transfer and allotments, the issued share capital of our Company was held as to 70% by VGH and 30% by OGH.

Incorporation of holding company to hold the interests of Vicon Construction

Vicon Enterprises Limited

On 15 January 2016, Vicon Enterprises was incorporated in the BVI to act as an intermediary holding company to hold the interest of Vicon Construction. Vicon Enterprises has an authorised share capital of US\$50,000 comprising 50,000 shares with a par value of US\$1.00 each and one share of which was allotted and issued at par to our Company on 15 January 2016. Our Company is the sole shareholder of Vicon Enterprises.

Acquisition of the Remaining Interests in Vicon Construction (Macau)

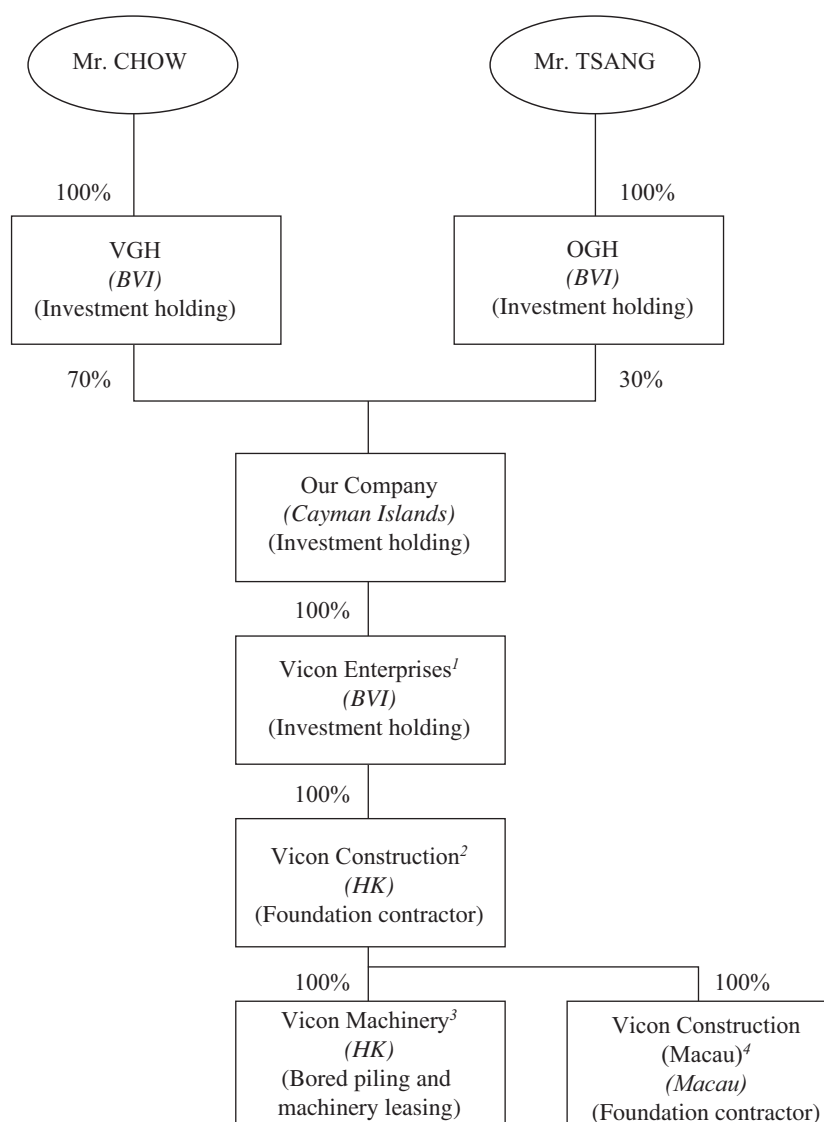
On 15 May 2017, Vicon Construction executed an agreement to acquire the remaining 0.7% interest in Vicon Construction (Macau) from Mr. CHOW and 0.3% interest in Vicon Construction (Macau) from Mr. TSANG, at a consideration of MOP6,300 and MOP2,700, respectively, both being the nominal value of the shares of Vicon Construction (Macau) immediately prior to the transfer. Upon completion of the acquisition, Vicon Construction (Macau) becomes a wholly-owned subsidiary of Vicon Construction.

Acquisition of Vicon Construction

On 15 November 2017, our Company and Vicon Enterprises entered into a sale and purchase agreement with Mr. CHOW and Mr. TSANG to acquire 70% interest in Vicon Construction from Mr. CHOW and 30% interest in Vicon Construction from Mr. TSANG. The consideration for acquisition was satisfied by our Company allotting and issuing 140 Shares and 60 Shares, both credited as fully paid, to VGH (as directed by Mr. CHOW) and OGH (as directed by Mr. TSANG) respectively. Upon completion of this acquisition, Vicon Construction became a wholly-owned subsidiary of Vicon Enterprises and an indirect wholly-owned subsidiary of our Company.

HISTORY, DEVELOPMENT AND REORGANISATION

The following is the corporate and shareholding structure immediately after completion of the Reorganisation:



Notes:

1. It is an investment holding company.
2. Principal business activity of Vicon Construction is construction, mainly focuses on foundation and site formation.
3. Principal business activity of Vicon Machinery is foundation projects.
4. Vicon Construction (Macau) was a dormant company during the Track Record Period. It was awarded a bored piling project in September 2017.

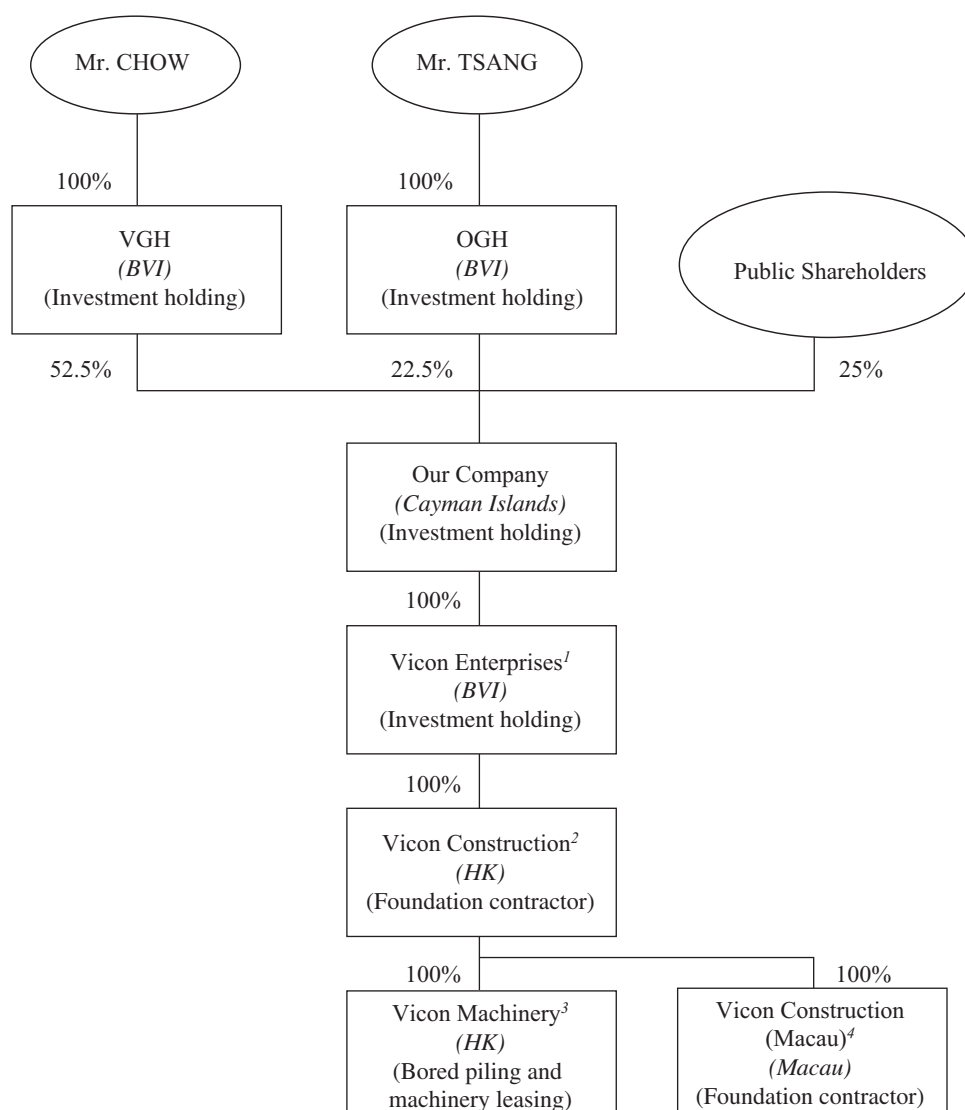
Capitalisation Issue

On 30 November 2017, our Company increased its authorised share capital to HK\$10,000,000 through the creation of 962,000,000 additional Shares of HK0.01 each. Conditional upon the share premium account of our Company being credited as a result of the issue of our Offer Shares by our Company pursuant to the Share Offer, our Directors will be authorised to capitalise the amount of HK\$2,999,997 from the share premium account of our Company by applying such sum towards the paying up in full at par a total of 299,999,700 shares for the allotment and issue to the then shareholders of our Company as of 30 November 2017, being VGH and OGH, on a pro rata basis.

HISTORY, DEVELOPMENT AND REORGANISATION

CORPORATE STRUCTURE

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



Notes:

1. It is an investment holding company.
2. Principal business activity of Vicon Construction is construction, mainly focuses on foundation and site formation.
3. Principal business activity of Vicon Machinery is foundation projects.
4. Vicon Construction (Macau) was a dormant company during the Track Record Period. It was awarded a bored piling project in September 2017.

BUSINESS

OVERVIEW

We are a specialist foundation contractor and focus on design-and-build foundation projects in Hong Kong private sector. Our foundation projects involve different types of construction works, such as piling construction, ELS works and pile cap construction. Our Directors believe that our competitive strengths in the foundation contracting industry in Hong Kong lie mainly in our experience in completing foundation projects involving complicated foundation and engineering designs. We are also able to develop alternative and cost-efficient foundation design proposals for the design-and-build foundation projects awarded to us.

Vicon Construction is registered with the Buildings Department as a *Registered Specialist Contractor — Foundation Works* and *Registered General Building Contractor*. During the Track Record Period, most of our revenue was generated from the construction works for design-and-build foundation projects. Our Directors therefore consider that we are a specialist foundation contractor.

During the Track Record Period, we have grown from a sub-contractor to a main contractor in undertaking foundation projects. We have completed 12 foundation projects during the Track Record Period, of which three were targeted foundation projects acting as sub-contractor. In February 2016, we first acted as a main contractor in a foundation project. As of the Latest Practicable Date, we were undertaking seven foundation projects as main contractor and 18 foundation projects as sub-contractor.

In September 2017, we were awarded the Macau project in the total contract sum of HK\$52.8 million. The construction work for the Macau project will commence in the first quarter of 2018. No revenue was generated from the Macau project during the Track Record Period. We have 13 foundation projects on hand as of the Latest Practicable Date. The contract sum of these foundation projects amounted to HK\$631.1 million and the estimated amount of revenue expected to be generated from these foundation projects during the seven months ending 31 March 2018 and the year ending 31 March 2019, based on the relevant contractual documents, is HK\$198.0 million and HK\$60.7 million, respectively.

BUSINESS

Our business is project-based business. During the Track Record Period, fluctuations in the amount of our revenue were primarily due to changes in the number of substantially completed foundation projects undertaken by us. We use the “percentage-of-completion method” to determine the appropriate amount of revenue to be recognised in a given period of time. The stage of completion is measured by reference to the proportion of contract cost incurred for construction work performed to date to the estimated total construction cost. Further information on these foundation projects, including a brief description and the respective contract sum of each foundation project, is set forth in the paragraphs under “Our foundation projects” below.

Our customers include main contractors, project owners and property developers in Hong Kong private sector. During the Track Record Period, we had two, five, eight and nine customers, respectively, of which one, four and five customers are property developers or project owners in Hong Kong during the two years ended 31 March 2017 and five months ended 31 August 2017, respectively. During the year ended 31 March 2015, all of our customers were main contractors. Revenue generated from our five largest customers during the three years ended 31 March 2017 amounted to HK\$276.8 million, HK\$323.6 million and HK\$257.3 million, respectively, representing the entire amount of our revenue during the two years ended 31 March 2016 and 97.6% of our revenue during the year ended 31 March 2017. During the five months ended 31 August 2016 and 2017, we had five and nine customers, respectively, of which two and five were property developers or project owners in Hong Kong. Revenue generated from our five largest customers during the five months ended 31 August 2016 and 2017 amounted to HK\$70.8 million and HK\$114.3 million, respectively, representing 100% and 93.1% of our total revenue during the same period, respectively.

According to the Ipsos Report, the foundation contracting industry in Hong Kong is expected to enjoy a steady growth at a CAGR of 3.1% during the period from 2017 to 2020. Although the foundation contracting industry in Hong Kong would not enjoy a rapid growth in the future, as compared with the growth rates in the previous two decades, our Directors believe that following the Listing, we will be able to increase our market share in Hong Kong private sector and expand our service offerings in private and public sectors in Hong Kong and Macau because of the additional financial resources and the enhanced corporate profile. In September 2017, we were awarded the Macau project, but there was no revenue recognised during the Track Record Period.

During the three years ended 31 March 2017, our revenue amounted to HK\$276.8 million, HK\$323.6 million and HK\$263.5 million, respectively, and our profit after tax amounted to HK\$26.0 million, HK\$31.1 million and HK\$30.2 million, respectively. During the five months ended 31 August 2016 and 2017, our revenue amounted to HK\$70.8 million and HK\$122.7 million, and our profit after tax amounted to HK\$6.8 million and HK\$5.8 million, respectively.

OUR COMPETITIVE STRENGTHS

Our Directors believe that we have the following competitive strengths which enable us to grow and differentiate us from our competitors:

Experience in completing foundation projects involving complicated foundation and engineering designs.

We have the experience, technical skills and proven track records in carrying out foundation projects involving complicated foundation and engineering designs. During the Track Record Period,

BUSINESS

we have completed foundation projects with significant ground-level difference and complicated underground status. Completion of these foundation projects require the experience and knowledge on the geological conditions and sub-soil limitation of the relevant construction sites and the surrounding areas as well as detailed calculations of the loading capacity of the piles for the superstructure for the purpose of determining the type, number and length of the piles required.

Yuen Long 1 project

By way of illustration, we completed the Yuen Long 1 project in May 2016. The construction site covers an area underlain by marble and marble-bearing rocks and is known to consist of complex geological features. The construction site has a karstic upper surface with solution features and marble cavities. The presence of marble and related geological features create difficulties in foundation construction. Foundation design in such landscape requires detailed ground investigations and well-planned execution from the sub-surface investigation stage to design and construction stage. Whilst bored pile foundations are generally used, the rockhead for marble rock with sufficient bearing capacity is located more than 100 metres below the surface of the construction site, which has significantly increased the difficulties for foundation construction. The longest bored pile constructed at the construction site has a length of more than 110 metres, which is not commonly used in bored piling construction in Hong Kong.

Strong capability to develop alternative and cost-efficient foundation design proposals.

We focus on design-and-build foundation projects which allow us to re-develop the foundation design proposals and revamp the methods of construction, both can reduce the construction cost and time. We have strong capability in developing alternative and cost-efficient foundation design proposals. On this basis and as part of our business strategies, our Directors will focus on, and position our Group as a design-and-build foundation contractor for target foundation projects. The Mid-Levels project, the North Point project and the Tuen Mun 1 project are representative projects of our design-and-build capability. Build-only foundation projects, however, only require us to complete the foundation works in strict compliance with the approved design proposal provided by our customers. With our experience and technical skills, our Directors believe that we have the capability to develop alternative foundation design proposals which, apart from satisfying the specific requirements of our customers, are cost-efficient and technically feasible.

The following sets forth a brief description of improvements proposed and made by us in foundation and engineering designs and foundation construction methods in design-and-build projects undertaken by us including the Mid-Levels project, the North Point project and the Tuen Mun 1 project:

Mid-Levels project

For the Mid-Levels project, the construction site was bounded by two roads on each of the northern and the southern side, together with a residential building and a petrol station on each of the eastern and western side. The level difference was 5.2 metres represented by an existing basement structure that had to be maintained before commencement of excavation works. Further, there was only one access road to the construction site for delivering site materials, transporting piling

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machinery and for other vehicles to enter or leave the site. Therefore, we have designed and installed a temporary steel platform supported by the existing columns of the basement structure and installed steel posts together with a concrete ramp to resolve the problem of site constraint in delivering machinery and material to the construction site and as such has reduced construction cost.

The new foundations and the required ground strengthening works had to be carried out before the old basement was demolished. Demolition of the old basement was to be made at the same time of the carrying out of ELS works.

Temporary steel platform was constructed for placing of piling machinery, delivery of machinery and material to the site and removal of spoil during basement excavation process. Without the temporary steel platform, bored piling machine would be required to sit on the existing basement structure directly and heavy strengthening works or propping works would have to be constructed. Our foundation design proposal has reduced the construction cost and time without the need to carry out any heavy strengthening works or propping works.

North Point project

The North Point project involved foundation works for a large scale residential development located in heavily populated urban area. The project was a multi-disciplinary project involving construction of diaphragm wall system, bored piling and socketed steel H-pile. Foundation works were carried out to allow for construction of a four-storey basement structure with residential development above. In this project, we have implemented the following design improvements:

- We have implemented an alternative design of the excavation system to open up the construction site for ease of construction with refined work flow which reduced the layer of supports and increased headroom for deployment of heavy duty plants. The strut members were grouped into the four corners of the site and spacious working area was created in between the strut groups to allow entrance into and exit from the basement pit. This arrangement allowed excavating machines to be lowered into the pit for excavation purpose. It also allowed greater room for lowering and placing of the structural steel members and removal of excavated spoil from the pit. At the same time, temporary platform was constructed for loading, uploading of materials and stationing crawler crane.
- Rationalise the size of the bored piles by using the same type of bored pile machines and reduce the total number of piles required and the associated time involved as a result of the implementation of standardised work procedures.
- Some portion of the socketed steel H-pile foundation in the original design was combined with a relatively large-diameter bored pile to reduce the total number of piles required, thereby reducing the construction cost and time.

Tuen Mun 1 project

The Tuen Mun 1 project has significant level difference between two highways. There is also a large amount of cut and fill works in the construction site and foundation works under the contract.

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Bored pile wall was constructed on the existing ground as a cut-off wall for carrying out excavation works in front of the bored pile wall. In this project, we have constructed bored pile wall with a maximum height of 14.8 metres, which has greatly reduced the construction difficulties in tackling with the significant level difference and associated works and time required for cutting and backfilling the mass concrete after completion of foundation works. By using the bored pile wall to act as a temporary structure as well as a permanent platform as part of the foundation design, we have re-designed the method of construction and have significantly reduced the amount of soil cutting and subsequent back-filling required, which has reduced the time and cost of the construction work.

Strong in-house design capability.

We have our in-house design team, including members with strong technical background in design-and-build engineering experience and have an average of 18 years of experience in the foundation contracting industry in Hong Kong. Our design team serves our design-and-build foundation projects. We believe that the capability to develop competitive foundation design proposals is one of the critical factors in securing foundation projects. As of the Latest Practicable Date, we had a team of six professional team members, comprising five qualified professional engineers, one professional quantity surveyor, and seven supporting staff. We believe that our capability in providing alternative and cost-efficient foundation design proposals differentiates us from our competitors.

Stringent quality control and established management procedures.

We believe that our established quality control policy enhances our competitiveness. We also believe that a stringent quality control system and a strong commitment to safety, occupational health and environmental management is important. We have obtained OHSAS18001:2007 certification for occupation health and safety management systems. We have adopted ISO 9001 2008 in respect of our quality management system. We have also established environmental management systems and were awarded ISO 14001:2004 certification (environmental management system standard).

Strong management team with extensive experience and technical know-how.

We have an experienced and dedicated management team with extensive knowledge and experience in foundation contracting industry in Hong Kong. Our experienced management team, led by our executive Directors, is the key to our business growth and success. Further information on the working experience of our executive Directors is set forth in the section headed “Directors, Senior Management and Employees” in this prospectus. Their experience and technical know-how are crucial to our business success and implementation of business development strategies.

OUR BUSINESS STRATEGIES

Our business objective is to become a contractor with primary focus on design and build foundation projects in Hong Kong private and public sectors. As part of our business strategies, we plan to focus on the targeted design-and-build foundation projects and undertake these projects more as the main contractor. For the purpose of achieving this business objective, we intend to implement the following business strategies:

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Focus on sizeable design-and-build projects.

We focused on undertaking targeted design-and-build foundation projects during the Track Record Period as sub-contractor and will continue this business strategy in the future. During the Track Record Period, the contract sum of the awarded design-and-build foundation projects ranged from HK\$40.5 million to HK\$337.1 million. During the Track Record Period and up to the Latest Practicable Date, we were also involved in four targeted design-and-build foundation projects, each with a contract sum of more than HK\$100.0 million. Our Directors believe that our competitive strengths lie mainly in our experience in completing projects involving complicated foundation and engineering designs which allow us to utilise the expertise and capability of our in-house design team.

We plan to expand our in-house design team by increasing the number of professional qualified engineers, qualified surveyors as well as supporting staff, and upgrading the functionality/ end-user permission of selected professional construction design and analytical software. Leveraging the expanded capability of our in-house design team, we will continue to focus on design-and-build foundation projects. These projects may be in Hong Kong or Macau as we consider appropriate. Our capability in developing alternative and cost-efficient foundation design proposals differentiates us from many of our competitors in Hong Kong and other markets. In the future, we will continue to deploy resources to strengthen our in-house design capability. We believe that these efforts will further enhance our competitiveness in securing design-and-build foundation projects.

Our business strategy in Macau generally follows the customers' requests and the locations of the property development projects of our customers. In September 2017, we secured the Macau project acting as sub-contractor with a total contract sum of HK\$52.8 million. The main contractor is a fellow subsidiary of one of our existing customers. We expect that the construction work for the Macau project will commence in the first quarter of 2018 and part of the revenue of the foundation project will be recognised as our revenue for the year ending 31 March 2018. We secured the Macau project through invitation tendering. The main contractor has chosen us as the sub-contractor based on our previous performance, business reputation, experience and expertise and scale of business operation as well as the tender price, without limitation in locations. Further information of the Macau project is set forth in the sections headed "Applicable Laws and Regulations" and "Business — Our foundation projects" in this prospectus.

Develop and strengthen our role and our capability as main contractor.

Following completion of the registration as a *Registered Specialist Contractor Foundation Works* in September 2015, we have started undertaking foundation projects as main contractor since February 2016. During the two years ended 31 March 2017 and for the five months ended 31 August 2017, the contract sum of the foundation projects in which we acted as the main contractor amounted to HK\$38.0 million, HK\$88.1 million and HK\$162.4 million, respectively. As of the Latest Practicable Date, out of the 13 foundation projects on hand, we act as main contractor in five foundation project with a contract sum of HK\$162.2 million. The estimated amount of revenue that may be generated from these five foundation projects on hand during the seven months ending 31 March 2018 and the year ending 31 March 2019 amounted to HK\$108.2 million.

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We believe that the role of main contractor allows us to have direct access to the property developers or project owners, thereby strengthens the relationship and facilitates the development of long-term business relationship with quality customers. As a main contractor, we will also be able to undertake different types of construction projects by ourselves or sub-contracting to other approved sub-contractors, and we believe this business strategy will further enhance our business growth and sustainability in the foundation contracting industry.

Most of the project owners or property developers would consider the financial viability and gearing of main contractor in the tendering process. We believe that the purchase of specialised machinery can enhance our technical capability and allow greater flexibility in the deployment of our resources. Investments in machinery allow us to continue our business development, thereby enhancing our business sustainability, and participate in targeted foundation projects as main contractor.

During the Track Record Period, we mainly acted as sub-contractor and would not need to take out surety bonds. Following the Listing, we will have net proceeds from the Share Offer and an equity fund raising platform. We will explore other financing means which will only be available after the Listing, e.g. banking facilities backed by the corporate guarantee of listed company, to further strengthen our financial standing as main contractor.

Explore the business opportunities in Hong Kong public sector.

We undertook foundation projects in Hong Kong private sector during the Track Record Period. While our Directors believe that we will continue to benefit from our current market position in the foundation contracting industry in Hong Kong private sector, we plan to capture the growing business opportunities in Hong Kong public sector in light of the anticipated increase in new infrastructure and building projects (other than public housing projects) initiated by the Hong Kong Government in the next decade. If we are able to obtain the relevant qualifications from the Development Bureau, our Directors believe that the business opportunities in Hong Kong public sector would accelerate our business growth. We plan to apply for registration under land piling (Group II) of the “*List of Approved Suppliers of Materials and Specialist Contractors for Public Works*” of the Development Bureau for (i) Large Diameter Bored Pile (with bell-out) and (ii) Rock-socketed Steel H-pile in Pre-bored Hole during the first quarter of 2018 and the first quarter of 2019, respectively, following the completion of the required job references. We need to satisfy certain specific requirements for (i) job references and (ii) self-owned machinery. We believe that we can meet the stipulated technical and management personnel requirements. Our executive Directors and senior management team have accumulated 38 years of experience in handling foundation projects in Hong Kong (including those foundation projects in Hong Kong public sector) in their previous employment. We believe that this experience will help us to expand successfully in Hong Kong public sector.

Our Directors consider that the proportion of the sub-contracting costs would not be materially affected by whether the foundation project is in public or private sector. Our Directors consider that the amount of the sub-contracting costs depend on the type of services to be provided by our Group and the availability of the machinery and financial and staff resources. As our Group has purchased additional machinery during the Track Record Period, our Directors expect that our Group would reduce its reliance on sub-contractors and hence, the proportion of the sub-contracting costs would not increase.

DIFFERENCES BETWEEN MAIN CONTRACTORS AND SUB-CONTRACTORS IN HONG KONG PRIVATE AND PUBLIC SECTORS

The following table summarises the key features and major differences in the roles of main contractors and sub-contractors in foundation projects in Hong Kong private and public sectors.

	Main contractor		Sub-contractor	
	Private sector ⁽¹⁾	Public sector	Private sector ⁽²⁾	Public sector
Customers.	Project owners or property developers.	Hong Kong government and public organisations.	Main contractors of the relevant foundation projects.	Main contractors of relevant foundation projects, so long as it is permitted by the relevant contractual provisions.
Business model.	The main contractors will undertake all aspects of the foundation projects and may decide, subject to the relevant provisions in the main contracts, to sub-contract all or part of the foundation work to sub-contractors.	The main contractors will undertake all aspects of the foundation projects upon the standard terms of the government tenders. In most cases, specialised sub-contracting may be allowed.	The sub-contractors will undertake a designated part of the foundation projects as allocated or agreed with the main contractors. In some cases, the main contractors may sub-contract all the construction works to the sub-contractors. The sub-contractors may propose to the main contractors or property owners alternative foundation designs to reduce construction cost and time.	The sub-contractors will undertake different pre-agreed works of the foundation projects as agreed with the main contractors.
	The main contractors can access to the project owners and the property developers directly and hence, it has a solid customer base for future business development with tendering process or direct negotiations.	Subject to the terms and conditions of the tender, the main contractors may also provide design-and-build services to the project owners.		
	The projects may be affected by the demand for residential and commercial buildings.	Generally speaking, the government has its own in-house architects and engineers to prepare building designs. It would be cost-effective for the government in-house architects and engineers to prepare the building designs. Thus, there are fewer design-and-build projects outsourced comparing to private sector.		
	Generally speaking, there are more design-and-build projects and these projects are with more design-and-build elements comparing to public sector.			

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	Main contractor		Sub-contractor	
	Private sector ⁽¹⁾	Public sector	Private sector ⁽²⁾	Public sector
Revenue recognition	Revenue recognised is based on “percentage-of-completion” method. The stage of completion is measured by the proportion of contract cost incurred for the work performed to date bear to the estimated total construction costs.	Revenue recognised is based on “percentage-of-completion” method. The stage of completion is measured by the proportion of contract cost incurred for the work performed to date bear to the estimated total construction costs.	Revenue recognised is based on “percentage-of-completion” method. The stage of completion is measured by the proportion of contract cost incurred for the work performed to date bear to the estimated total construction costs.	Revenue recognised is based on “percentage-of-completion” method. The stage of completion is measured by the proportion of contract cost incurred for the work performed to date bear to the estimated total construction costs.
Profitability	With greater control over the key cost items and the construction methods of the foundation projects, main contractors usually secure a larger amount of profit than sub-contractors. The tendering process in the private sector is mostly conducted through invitation tendering. Customers such as property developers tend to choose contractors based on their previous performance, business reputation, financial strength and scale of business well as the tender price. Therefore, they are more willing to choose the contractors in their approved list.	Award of tender is generally based on the tender price and performance rating from time to time determined by the Hong Kong government. A reasonable profit can be secured, but the profitability may not increase through the improvement in foundation designs. The tender is open to public. It is very common that the tendering process will be more competitive than private sector as there will be more candidates tendering for the project. As a result, it is very common that only a reasonable profit can be secured comparing to private sector.	Except for design-and-build foundation projects, sub-contractors in private sector may be less profitable because of the lack of control over the key cost items and construction methods.	The profitability is based on the terms of trade with the main contractor.
Risk profile	Generally speaking, there is a higher risk of delayed payment comparing to public sector, despite the fact that these property developers are often sizable and financially strong.	Generally speaking, the government makes timely settlements. There is minimal risk of delayed payment comparing to private sector.	As the customer is a private sector main contractor, the risk profile depends on the business history and financial strength of the customer. Working with selected and reputable main contractors is one of the most important risk management measures over risk of delayed payment.	As the customer is a public sector main contractor, the risk of delayed payment is lower comparing to private sector.

	Main contractor		Sub-contractor	
	Private sector ⁽¹⁾	Public sector	Private sector ⁽²⁾	Public sector
Cash flow patterns	Surety/performance bonds are required to be taken out by the main contractors in general, which may be in the range from 1% to 10% of the initial contract sum, which will generally need to be settled at the commencement of the project.	Generally speaking, main contractors are not required to take out surety bonds save as some special projects. Cash inflows are predictable with high level of certainty so long as the relevant work can be completed on schedule.	In some cases, surety/performance bonds may be required, main contractors may or may not require its sub-contractors to take out surety/performance bonds based on their relationship and past working experience. It is also subject to business negotiations.	In some cases, surety/performance bonds may be required depending on the working relationship between the main contractor and the sub-contractor. It is subject to business negotiations.
	Payments received for work done for a specific period ending shall generally be 60 days (30 days certification of work done and 30 days credit period).	Retention money would normally be held up by the customers for up to one year.	Payment received for work done for a specific period ending shall generally be 30 days upon payment application.	Payment received for a work done for a specific period ending shall generally be 30 days upon payment application.
	Project finance funding arrangements are available.		Retention money would normally be held up by the customers for up to one year.	Retention money would normally be held up by the customers for up to one year.
	Retention money would normally be held up by the customers for up to one year.			
Overall profitability and factors affecting the profitability	Competition level or successful rate depends on whether the main contractor is on the tender invitation list.	Competition level depends on the number of candidates tendering for the foundation projects.	Competition level depends on whether the sub-contractor has the niche skill sets or the relevant experience in handling a particular type of foundation projects.	Competition level depends on whether the sub-contractor is on the approved list of the main contractor for the respective designated tasks/trade.
	Price competition is keen if the main contractors do not have the capability of providing design-and-build services.			

¹ During the three years ended 31 March 2017, our revenue generated from Hong Kong private sector acting as main contractor amounted to nil, HK\$0.9 million and HK\$29.4 million, respectively. During the five months ended 31 August 2016 and 2017, our revenue generated from Hong Kong private sector acting as main contractor amounted to HK\$5.5 million and HK\$25.2 million, respectively. We have nil, one, five and six projects during the Track Record Period, respectively.

² During the three years ended 31 March 2017, our revenue generated from Hong Kong private sector acting as sub-contractor amounted to HK\$276.8 million, HK\$322.7 million and HK\$234.0 million, respectively. During the five months ended 31 August 2016 and 2017, our revenue generated from Hong Kong private sector acting as sub-contractor amounted to HK\$65.3 million and HK\$97.6 million, respectively. We have six, 11, 13 and nine projects during the Track Record Period, respectively.

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OUR FOUNDATION PROJECTS

The following tables set forth the information on our foundation projects from which we recognised revenue during the Track Record Period and our foundation projects on hands as of the Latest Practicable Date.

Foundation projects with revenue recognition during the Track Record Period

During the Track Record Period, we undertook 24 foundation projects in Hong Kong private sector. Further information on these foundation projects is set forth below:

No.	Location of the foundation projects	Project duration ⁽¹⁾	Design-and-build/Build-only projects	Agreed type of construction works involved	Our role as main contractor(M)/sub-contractor(S)	Contract sum	Revenue recognised during the Track Record Period			Five months ended 31 August 2017
							2015	2016	2017	
						HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(1)	Mid-Levels project	2013-second quarter to 2016-second quarter	Design-and-Build	ELS, pile cap and basement construction	S	133,560	57,662	55,841	3,052	—
(2)	North Point project	2013-third quarter to 2015-third quarter	Design-and-Build	ELS and pile cap construction	S	337,112	210,555	86,427	5,215	1,107
(3)	Yuen Long 1 project	2015-first quarter to 2016-second quarter	Design-and-Build	Foundation, ELS and pile cap construction	S	142,772	257	127,109	15,406	—
(4)	Tuen Mun 1 project	2015-third quarter to 2018-first quarter	Design-and-Build	Foundation, ELS, site formation and pile cap construction	S	166,978	—	11,946	113,270	34,608
(5)	Lantau 1 project	2017-first quarter to 2018-first quarter	Design-and-Build	Foundation, ELS, pile cap construction, demolition and drainage works	S	94,516	—	—	8,440	27,506
(6)	Wanchai 1 project	2017-first quarter to 2018-first quarter	Design-and-Build	Foundation, ELS and pile cap construction	M	40,500	—	—	2,761	13,933
(7)	Lantau 2 project	2014-third quarter to 2015-third quarter	Build-only	Site formation, ELS and foundation works	S	4,883	4,541	342	—	—
(8)	Lantau 3 project	2014-fourth quarter to 2015-third quarter	Build-only	ELS and foundation works	S	5,519	3,737	1,782	—	—
(9)	Ma On Shan project	2015-second quarter to 2015-third quarter	Build-only	Grouting works	S	9,946	—	9,946	—	—
(10)	Sham Shui Po project	2016-first quarter to 2016-second quarter	Build-only	Drainage works	S	865	*	865	—	—
(11)	Tuen Mun 2 project	2015-third quarter to 2017-third quarter	Build-only	ELS and pile cap construction	S	45,566	—	9,821	19,960	15,785

* Value insignificant

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No.	Location of the foundation projects	Project duration ⁽¹⁾	Design-and-build/Build-only projects	Agreed type of construction works involved	Our role as main contractor(M)/sub-contractor(S)	Contract sum	Revenue recognised during the Track Record Period				Five months ended 31 August 2017
							Year ended 31 March		Year ended 31 March		
							2015	2016	2015	2016	
						HK\$'000	HK\$'000	HK\$'000	HK\$'000		
(12)	Tuen Mun 3 project	2015-third quarter to 2017-first quarter ⁽²⁾	Build-only	Bored piling	S	22,266	—	14,353	7,641	272	
(13)	Yau Tong project	2015-fourth quarter to 2016-second quarter	Build-only	Bored piling	S	5,142	—	4,252	890	—	
(14)	The Peak project	2016-first quarter to 2017-fourth quarter	Build-only	Foundation, ELS and site formation works	M	38,000	—	879	17,701	5,561	
(15)	Southern 1 project	2016-second quarter to 2017-fourth quarter	Build-only	Foundation, ELS, site formation and pile cap construction	S	88,000	—	—	47,001	13,499	
(16)	Tuen Mun 4 project	2016-second quarter to 2016-third quarter	Build-only	Ground investigation	M	242	—	—	242	*	
(17)	Central 1 project	2016-second quarter to 2017-first quarter	Build-only	Street scape enhancement	S	1,300	—	—	1,300	—	
(18)	Central 2 project	2016-second quarter to 2017-second quarter	Build-only	Street scape enhancement	S	2,900	—	—	2,436	437	
(19)	Tuen Mun 5 project	2016-third quarter to 2016-fourth quarter	Build-only	Hoarding works and ground investigation	M	1,288	—	—	1,288	—	
(20)	Tseung Kwan O project	2016-fourth quarter to 2017-first quarter	Build-only	Formation of vehicular access road works	M	8,027	—	—	7,440	179	
(21)	Yuen Long 2 project	2017-first quarter to 2017-third quarter	Build-only	ELS and underground water tank works	S	10,000	—	—	7,521	1,545	
(22)	Wanchai 2 project	2017-first quarter to 2017-third quarter	Build-only	Pipe piling and grouting works	S	8,192	—	—	1,907	2,803	
(23)	Tuen Mun 6 project	2017-second quarter to 2018-second quarter	Design-and-Build	Foundation, ELS, site demolition and pile cap construction	M	75,000	—	—	—	5,440	
(24)	Southern 2 project	2017-second quarter to 2017-second quarter	Build-only	Ground investigation	M	626	—	—	—	61	
Total						1,243,200	276,752	323,563	263,471	122,736	

Notes:

- (1) Project duration refers to the period from the date of commencement of the relevant foundation project to the expected completion date set forth in the relevant initial agreement which may be extended by subsequent construction program.
- (2) We have completed the construction works stipulated in the relevant contract which are subject to the receipt of the practical completion certificate. As such, we consider that this project has been completed.

* Value insignificant

Foundation projects on hand as of the Latest Practicable Date

We have 13 foundation projects on hand as of the Latest Practicable Date. The contract sum of these foundation projects amounted to HK\$631.1 million and the estimated amount of revenue expected to be generated from these foundation projects during the seven months ending 31 March 2018 and the year ending 31 March 2019, based on the relevant contractual documents, is HK\$198.0 million and HK\$60.7 million, respectively.

In September 2017, we were awarded the Macau project which will commence construction work in the first quarter of 2018. There was no revenue generated from the Macau project during the Track Record Period.

The following table sets forth further information on our foundation projects on hand as of the Latest Practicable Date and their expected revenue contribution for the seven months ending 31 March 2018 and the year ending 31 March 2019.

No.	Location of foundation projects	Project duration ⁽¹⁾	Design-and-build/ Build-only projects	Agreed type of works involved	Our role as main contractor(M)/ sub-contractor(S)	Contract sum	Revenue excepted to be recognised for seven months ending 31 March 2018	Revenue excepted to be recognised for the year ending 31 March 2019
						HK\$'000	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
(4)	Tuen Mun 1 project	2015-third quarter to 2018-first quarter	Design-and-Build	Foundation, ELS, site formation and pile cap construction	S	166,978	7,154	—
(5)	Lantau 1 project	2017-first quarter to 2018-first quarter	Design-and-Build	Foundation, ELS, pile cap construction, demolition and drainage works	S	94,516	58,570	—
(6)	Wanchai 1 project	2017-first quarter to 2018-first quarter	Design-and-Build	Foundation, ELS and pile cap construction	M	40,500	23,806	—
(23)	Tuen Mun 6 project	2017-second quarter to 2018-second quarter	Design-and-Build	Foundation, ELS, site demolition and pile cap construction	M	75,000	53,761	15,799
(11)	Tuen Mun 2 project	2015-third quarter to 2017-third quarter	Build-only	ELS and pile cap construction	S	45,566	*	—
(14)	The Peak project	2016-first quarter to 2017-fourth quarter	Build-only	Foundation, ELS and site formation works	M	38,000	13,859	—

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No.	Location of foundation projects	Project duration ⁽¹⁾	Design-and-build/ Build-only projects	Agreed type of works involved	Our role as main contractor(M)/ sub-contractor(S)	Revenue	
						Revenue excepted to be recognised for seven months ending 31 March 2018	Revenue excepted to be recognised for the year ending 31 March 2019
						HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
(15)	Southern 1 project	2016-second quarter to 2017-fourth quarter	Build-only	Foundation, ELS, site formation and pile cap construction	S	88,000	27,500
(18)	Central 2 project	2016-second quarter to 2017-second quarter	Build-only	Street scape enhancement	S	2,900	27
(20)	Tseung Kwan O project	2016-fourth quarter to 2017-first quarter	Build-only	Formation of vehicular access road work	M	8,027	408
(21)	Yuen Long 2 project	2017-first quarter to 2017-third quarter	Build-only	ELS, and underground water tank works	S	10,000	934
(22)	Wanchai 2 project	2017-first quarter to 2017-third quarter	Build-only	Pipe piling and grouting works	S	8,192	3,482
(24)	Southern 2 project	2017-second quarter to 2017-second quarter	Build-only	Ground investigation	M	626	565
(25)	Macao project	2018-first quarter to 2018-fourth quarter	Build-only	Bored piling	S	52,836	44,910
Total						631,141	60,709

Notes:

1. Project duration refers to the period from the date of commencement of the relevant foundation project to the expected completion date set forth in the relevant initial agreement which may be extended by subsequent construction program.

* Value insignificant

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OUR BUSINESS OPERATIONS

Our services

We undertake foundation projects in Hong Kong private sector focusing on design-and-build foundation projects. Our foundation projects involve different types of construction works, including piling construction, ELS works and pile cap construction. Our customers in Hong Kong private sector include property developers, project owners and their main contractors. We are growing from a sub-contractor to more in the capacity as a main contractor focusing on targeted design-and-build foundation projects.

As a general practice in the Hong Kong foundation contracting industry, foundation projects are generally awarded by the property developers or the project owners under a single contract to the main contractor who may, depending on its capability, licensing condition and other factors, undertake the projects by itself or subcontract all or part of the projects to other sub-contractors. During the Track Record Period, the total contract sum of the foundation projects undertaken by us was in the range between HK\$0.2 million and HK\$337.1 million. We acted as the main contractor in one, five and six foundation projects during the two years ended 31 March 2017 and five months ended 31 August 2017, with a total contract sum of HK\$38.0 million, HK\$88.1 million and HK\$162.4 million, respectively.

Design-and-build and build-only foundation projects

The foundation projects secured by us during the Track Record Period may be categorised into design-and-build and build-only projects. Design-and-build projects refer to the foundation projects in which we are responsible for reviewing and advising alternative foundation designs, including the choice of pile types and foundation layout plans and implementation of the steps, according to the foundation design approved by our customers which are property developers or project owners. Our Directors consider that such design-and-build capability is one of our competitive strengths. Build-only projects refer to the foundation projects in which the foundation works are carried out according to the foundation engineering designs provided by the project owners or property developers or main contractors.

We believe that a competitive foundation design is an important part for securing foundation projects in Hong Kong private sector as it could assist the customers to control the construction cost without compromising safety and quality. As of the Latest Practicable, our in-house design team has six professional team members, comprising five qualified professional engineers and one qualified professional quantity surveyor, and seven supporting staff. Our in-house design team is responsible for preparing foundation designs suitable for the specific site conditions and other specific requirements of our customers.

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The following table sets forth an analysis of our revenue by nature and the number of foundation projects undertaken by us during the Track Record Period and based on the information as of the Latest Practicable Date, for the seven months ending 31 March 2018 and the year ending 31 March 2019:

	Year ended 31 March			Five months ended 31 August			Seven months ending 31 March					
	2016			2017			2018			2019		
	Number of projects with revenue recognised	Revenue recognised	Number of projects with revenue recognised	Revenue recognised	Number of projects with revenue recognised	Revenue recognised	Number of projects with revenue recognised	Revenue recognised	Number of projects with revenue recognised	Revenue recognised	Number of projects with revenue recognised	Revenue recognised
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Design-and-build foundation projects	3	268,474	4	281,323	6	148,144	5	82,594	4	143,291	1	15,799
Build-only foundation projects	3	8,278	8	42,240	12	115,327	10	40,142	9	54,701	1	44,910
Total	6	276,752	12	323,563	18	263,471	15	122,736	13	197,992	2	60,709
										(Unaudited)		(Unaudited)

Foundation projects of which we act as main contractor or sub-contractor

During the Track Record Period, we acted as sub-contractor and main contractor for various foundation projects. We first acted as a main contractor for a foundation project in February 2016. The following table sets forth an analysis of our revenue by our role as main contractor or sub-contractor and the number of foundation projects undertaken by us during the Track Record Period and based on the information as of the Latest Practicable Date, for the seven months ending 31 March 2018 and the year ending 31 March 2019:

	Year ended 31 March				Five months ended 31 August				Seven months ending 31 March			
	2015		2016		2017		2017		2018		2019	
	Number of projects with revenue recognised	Revenue recognised	Number of projects with revenue recognised	Revenue recognised	Number of projects with revenue recognised	Revenue recognised	Number of projects with revenue recognised	Revenue recognised	Number of projects with revenue expected to be recognised	Revenue expected to be recognised	Number of projects with revenue expected to be recognised	Revenue expected to be recognised
Main contractor	—	—	1	879	5	29,432	6	25,174	5	92,399	1	15,799
Sub-contractor	6	276,752	11	322,684	13	234,039	9	97,562	8	105,593	1	44,910
Total	6	276,752	12	323,563	18	263,471	15	122,736	13	197,992	2	60,709
		HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000
										(Unaudited)		(Unaudited)

During the two years ended 31 March 2017 and five months ended 31 August 2017, there were one, five and six foundation projects, in which we acted as the main contractor, contributed revenue of HK\$0.9 million, HK\$29.4 million and HK\$25.2 million, respectively. During the Track Record Period, there were six, 11, 13 and nine foundation projects, in which we acted as the sub-contractor, contributed revenue of HK\$276.8 million, HK\$322.7 million, HK\$234.0 million and HK\$97.6 million, respectively.

As of the Latest Practicable Date, our foundation projects on hand include 13 foundation projects in Hong Kong, of which we act as the main contractor in five foundation projects and as the sub-contractor in eight foundation projects. Most of these foundation projects are expected to be completed during the year ending 31 March 2018.

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As part of our business strategies, we plan to focus on targeted design-and-build foundation projects and undertake foundation projects more in the capacity as main contractor. During the Track Record Period, we acquired new machinery in the amount of HK\$ nil, HK\$72.9 million, HK\$62.3 million and HK\$0.2 million, respectively. We believe that by improving our capacity through purchase of machinery, we will be well positioned to capture additional business opportunities and secure more targeted foundation projects as the main contractor.

Details on the Macau project

Despite the fact that we only undertook foundation projects in Hong Kong during the Track Record Period, we plan to explore business opportunities in Macau. Our Company established a subsidiary in Macau for such prospective business opportunities in July 2016 and, in September 2017, we were awarded the Macau project which will commence construction work in the first quarter of 2018. Our Directors believe that we have strong capability in undertaking and completing foundation projects in Macau with our own fleet of machinery, our experienced management team and direct workforce. There was no revenue generated from the Macau project during the Track Record Period. The following table sets forth further information on the Macau project:

Business model	<p>The main contractor is a fellow subsidiary of Customer C, one of our existing customers, and has been mandated to undertake the foundation works. Based on the information provided by the main contractor, it is a registered contractor in Macau. The main contractor will provide certain design-and-build services to the project owners, while we will provide build-only services to the main contractor.</p> <p>We secured the project through invitation tendering. The main contractor chooses sub-contractors based on their previous performance, business reputation, experience and expertise and scale of business operations as well as the tender price, without limitation in locations.</p>
Revenue and profitability	<p>We adopt the same revenue recognition policy in respect of the Macau project, i.e. our revenue is recognised and based on the “percentage-of completion” method.</p>
Risks involved	<p>Our Directors consider that the risks involved are not substantially different from or higher than the foundation projects undertaken by us in Hong Kong.</p>
Cash flow pattern	<p>No performance bond is required from us as we are sub-contractor.</p>

BUSINESS

Manpower	<p>We will liaise and coordinate with the project owner and/or the main contractor (as and when appropriate) about the manpower to be deployed in the project in accordance with all applicable laws and regulations in Macau.</p> <p>We plan to deploy our project team, comprising site engineer, foreman, construction manager and direct labour, to the project. The project owner or the main contractor (as the case may be) will apply for the work permits of our team members working in Macau as they are non-residents in Macau and enter into a labour contract with these team members during the expected project period. The remuneration of the team members, including their salaries and allowances, will be paid by the project owner or the main contractor (as the case may be) and the project owner or the main contractor (as the case may be) will seek reimbursement from us.</p>
Deployment of machinery	<p>We will deploy our own fleet of machinery for the project as and when required for implementation of the project. We will also engage a third-party logistic service provider, which will apply for the required import licenses, to deal with all the relevant administrative procedures and clearance procedures for the importation and transportation of our own fleet of machineries to the construction site in Macau.</p>
Environmental compliance/ occupational health and safety/ quality control	<p>Main contractor is subject to the relevant laws and regulations, and we have to follow the guidance from time to time required by the main contractor.</p>
Insurance	<p>The main contractor is responsible for the employees' compensation insurance and contractor's all risks and the third party insurance for the main contractor work which cover the sub-contractor works.</p>

BUSINESS

DESCRIPTION OF OUR BUSINESS PROCESS

The following sets forth the type of services undertaken by us during the Track Record Period:

Types of services provided

Piling construction

Piles are used to support a structure by transferring the load of a structure to the layer of rock or subsoil below. Piles are mainly installed either by way of excavation of pile bore or the driving of the steel pile sections into the ground.

In determining the pile type to be used, we take into consideration various factors including the site condition, the geological condition, site constraints, the surrounding structures and environment, the nature of loading, safety and costs.

Bored pile

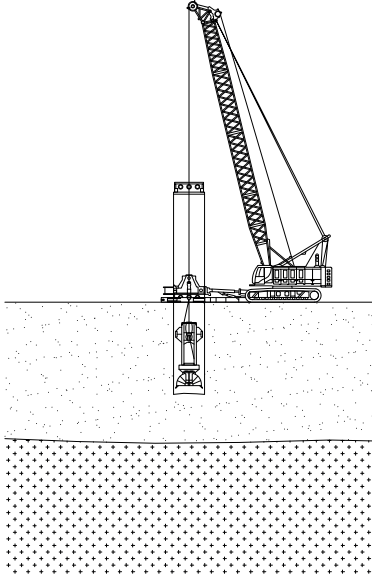
Bored piles are usually used to support heavy loads of buildings or highway structures, with diameter generally exceeding 0.75 metre. The bored piling works undertaken by us are mainly with diameters ranging from 2.5 metres to 3.0 metres.

Bored piles are formed by machine grabbing and reverse circulation drill to the required level to form a bored hole. The pile bore is then supported by temporary steel casing to prevent the collapse of the bore. Reinforcement cage will then be inserted into the bored hole and the bored hole will be filled with concrete. After filling with concrete in pile bore, the temporary steel casing will be withdrawn.

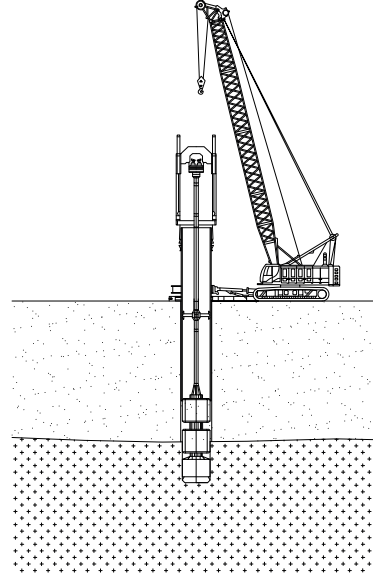
BUSINESS

The diagrams below illustrate the procedures for the construction of bored piling:

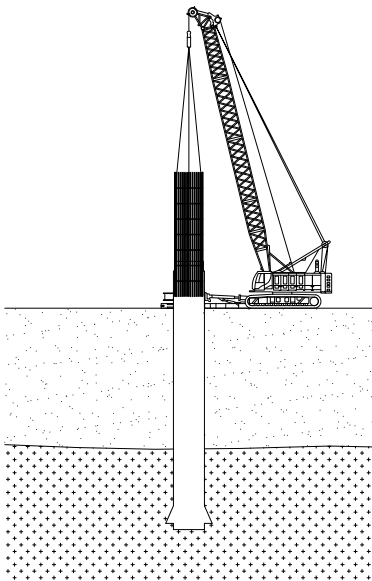
Step 1a: Excavation by machine grabbing



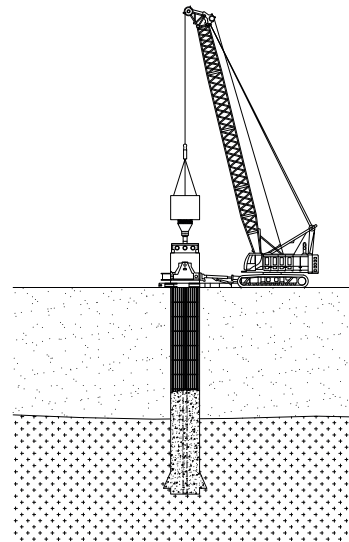
Step 1b: Rock drilling by reverse circulation drill



Step 2: Installation of reinforcement cage

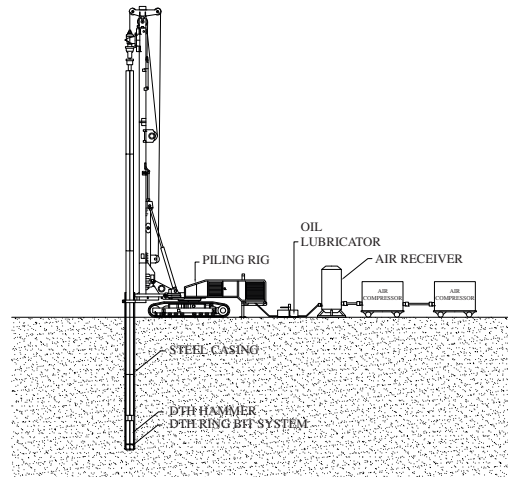


Step 3: Pouring of concrete and withdrawal of temporary steel casing



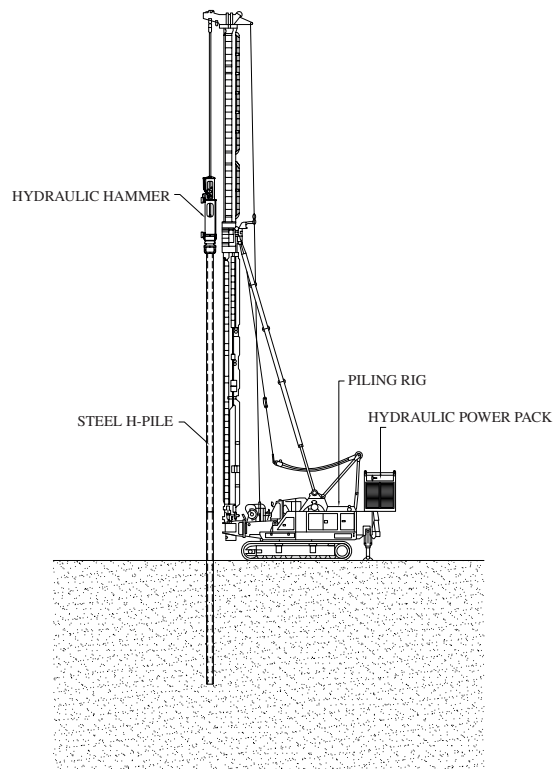
Socketed steel H-pile

Socketed steel H-pile is installed by forming a prebored hole on the ground with a socket in the rock. A steel H section will then be placed in the prebored hole and filled with cement grout.



Percussive steel H-pile

Percussive steel H-piles can carry high compressive loads and have a good drivability which can allow the steel H-piles to be driven to a deep ground. Since the size of the machinery used for percussive steel H-piling works is smaller compared to those used for bored piles and occupies less space, percussive steel H-piles is one of the solutions for foundation works at site with limited space. Percussive steel H-piles are widely used in Hong Kong.

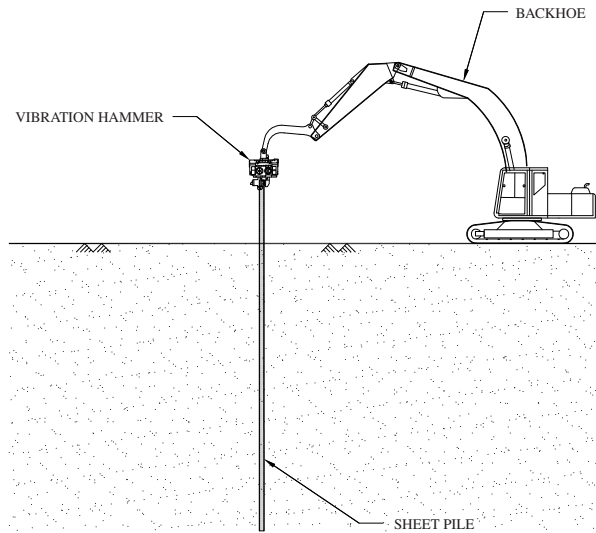


ELS works

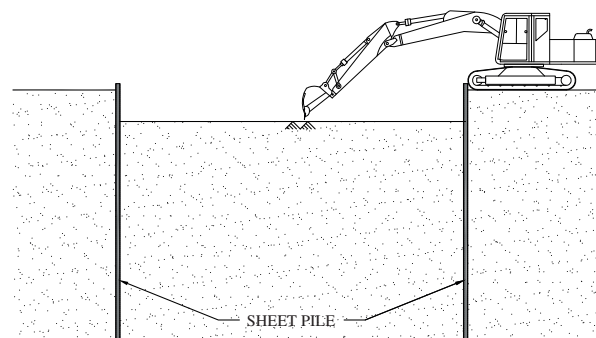
ELS works are carried out to provide support for the construction of pile caps, basement and underground structures. It involves the installation of sheet piles, pipe piles, excavation, installation of waling and strut, and further excavation. The following diagrams illustrate the typical construction process of ELS works:

Step 1: Install sheet pile wall / pipe pile wall

ELS works begin by inserting the sheet pile wall/pipe pile wall into the soil for the planned excavation. The sheet pile wall or pipe pile wall with grout curtain can reduce groundwater inflow and prevent soil from collapsing.



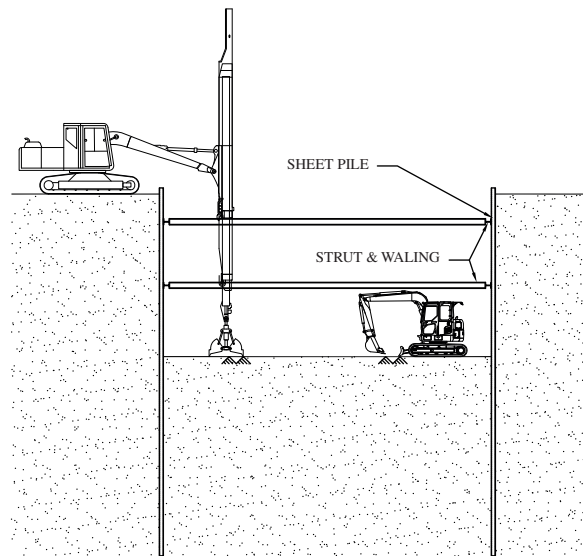
Step 2: Excavate



Excavation will begin after the insertion of the sheet pile wall/pipe pile wall.

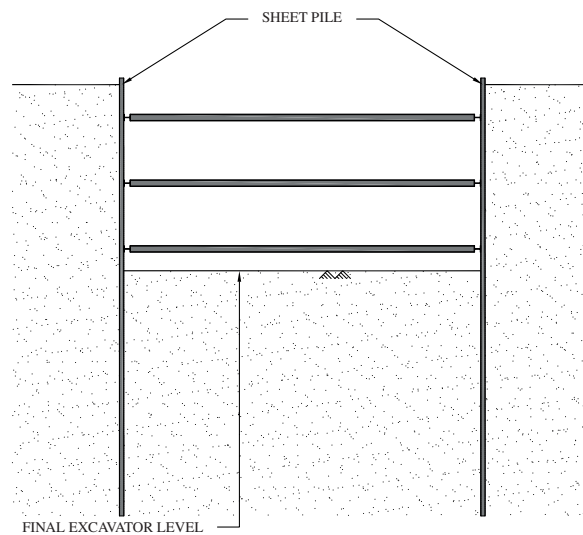
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Step 3: Install lateral support and further excavate



As excavation begins to go below the ground level, lateral support is added to provide support to the sheet pile wall / pipe pile wall and stabilise the sheet pile wall / pipe pile wall in order to carry out deeper excavation.

Step 4: Complete lateral support work



When excavation reaches the required depth, pile caps construction and substructure construction begin.

BUSINESS

Pile cap construction

Pile caps are reinforced concrete structures constructed on top of a pile or a group of piles to spread the load from the above structures that the piles are to carry.

Substructure construction refers to all underground construction works including basements and tunnels.

Road and drainage works

Road works are involved to construct new roads with provision of necessary road furniture such as lighting poles, road barriers and traffic signs. On the other hand, drainage works are involved to install new drainage systems for either storm water or foul water or both of them and sometimes diversion of existing drainage systems will be required.

Other services

Ground investigation

Ground investigation works are carried out to obtain information on the geological and sub-soil conditions of the sites and the surrounding areas in order to determine the type and extent of piles required for the superstructure to be developed. Investigation may be extended to cover factors that may affect the adjacent properties including slopes and pipes conveying water, gas or sewage.

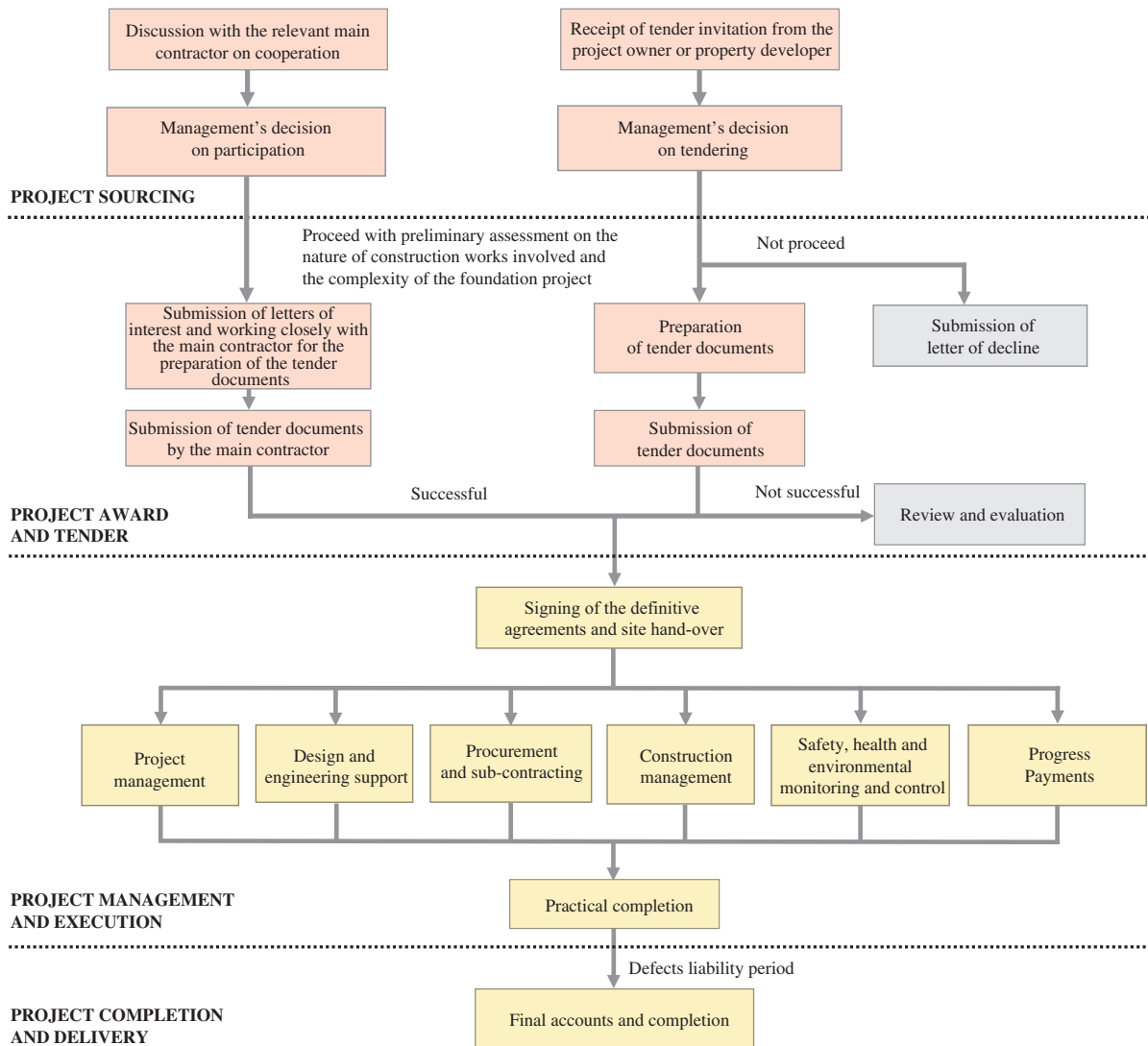
Pre-drilling works are conducted to ascertain the depth of piles required to reach.

BUSINESS PROCEDURES

During the Track Record Period, our customers included main contractors as well as project owners and property developers. If we act as sub-contractor, we normally work closely with the main contractor for the preparation of the tender documents by providing technical supports and analyses and cost estimates to the main contractor. The main contractor will submit tender to the project owner or property developer in its own name. The main contractor may sub-contract relevant part of the foundation project to us (as agreed) prior to the submission of the tender. The main contractor may also request us to submit proposal to it as the sub-contractor after securing the relevant foundation project and we would compete with other sub-contractors in securing the sub-contracted part of the foundation project in such case.

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If we want to secure foundation projects as main contractor, we are required to submit tender to the project owner or property developer directly. We need to satisfy such tender conditions as determined by the property owner and property developer. In most cases, the property owner and property developer prefer the tenderers to have their own fleet of machinery and crews. Once we are shortlisted for the tendering, we will follow the relevant procedures and timeline stipulated by the relevant project owner and property developer. The following diagram illustrates the key stages involved in these two business operations:



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Project award and tender

Preparation and submission of letters of interest or tender documents

Foundation projects of which we act as sub-contractor

From time to time, we are approached by main contractors of foundation projects and are invited to provide letters of interest or quotation to act as their sub-contractors. Apart from formal invitations, we also identify prospective foundation projects through business relationships of our Directors and management in the foundation contracting industry. There will be no formal tendering process involved in the selection of sub-contractors, and the selection criteria will be determined by the main contractors on a case-by-case basis.

Our team, which is led by a project manager and a quantity surveyor, prepares the fee proposals or assists the main contractors in preparing the tender documents. Our project manager mainly evaluates the complexity and the scale of works, availability of machinery and manpower in the preparation of the relevant documents and may perform site visits if necessary. They assist our executive Directors in the assessment of any potential foundation projects. In determining the participation in a foundation project as a sub-contractor, we will take into consideration our projects on hand, availability of resources, site location, commencement date of the relevant project, duration and complexity of the foundation project as well as our previous cooperation with the relevant customers. When we decide that a potential foundation project is commercially viable, our team will proceed to prepare the relevant documentation.

Upon review and assessment by our management team and the approval by our Directors, we will provide quotation to our relevant main contractors or prepare and submit the documentation.

Foundation projects of which we act as main contractor

For the foundation projects in which we are invited to act as the main contractor, we will submit the tender documents to the project owners or property developers as they normally maintain their lists of approved foundation contractors. We will be provided with the specifications and drawings and the request for quotation for tendering. We may also be required to make pre-qualification submissions for assessment of our eligibility to submit tenders. The project owners or property developers will generally request our Group to provide surety bonds during the course of the relevant projects.

Procedures of securing the projects through cooperate submission

Under the cooperate submission arrangement, we cooperate with the main contractor for the preparation of tender documents and preforming the relevant cost and construction work analysis. After receiving an invitation to tender, the main contractor may either provide the tender invitations or an extract of such invitations to us for assessment based on certain parameters and the resources required. If our Directors consider that a foundation project is commercially viable with reference to the requirements of our Group, we will start preparing a draft fee proposal to be submitted to the relevant main contractor for review. Various meetings and discussions will then be held between the

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main contractor and us for finalising the proposal. The tender documents will be submitted in the name of the main contractor and the foundation project will also be awarded to the main contractor. Under the cooperate submission arrangement, members of our Group do not have to be an approved contractor of the relevant project owner or property developer. We will act as a sub-contractor of the main contractor.

Determination of the contract price and tendering strategy

We determine the proposed contract price according to the complexity and difficulty and the scale of the foundation project. Our project managers or quantity surveyors may also visit the project site to conduct an on-site assessment. Specific factors that we may consider include the landscape of the site, condition of the structures adjacent to the site, existence of any underground utilities and any potential difficulty in carrying out the construction work, such as the size of the site and the geological characteristics of the site, as well as the accessibility of the required machinery to the site. All of these factors may increase our project cost and will be thoroughly considered in determining the price. We may also obtain preliminary suppliers' quotations for estimation of the cost of raw materials and preliminary quotations from sub-contractors prior to submitting the price proposal. Other factors that we may consider include the type and number of machinery required, the completion time, the existing market conditions, sub-contracting need and future cooperation with the customer.

It is our strategy in both capacity as main contractor and sub-contractor to determine our tender price with reference to these factors and the estimated cost of undertaking the construction work. We will not reduce our tender price or provide any significant discount for the purpose of securing any foundation project. Hence, we have not experienced any loss in securing any of the foundation projects during the Track Record Period. We will continue to adopt this tendering strategy in the future in Hong Kong private and public sectors.

Before submitting the price proposals, we will also ensure that we can allocate sufficient labour, management resources and machinery for the foundation project. During the Track Record Period, we have not experienced any material complaints for the shortage of resources for our projects undertaken.

Under the project tendering arrangement, we will receive tender invitation directly from the project owners or property developers or other foundation contractors and will submit the tender documents in our own name, either in the capacity as a main contractor or sub-contractor. Members of our Group will have to be one of the approved contractors of the project owners or property developers. If we act as the main contractor, the project owner or property developer will generally request us to provide surety bond during the course of the relevant project.

Design-and-build foundation projects and build-only foundation projects

For design-and-build projects for which we are allowed to develop alternative foundation designs to the potential customers, our design team will be involved in the early stage. Our design team will also develop appropriate foundation design proposals which satisfy the specific requirements of the

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project owners and are more cost-effective taking into account factors such as the loading requirements of the superstructure, limitations and constraints of the site, plant availability, cost, contract period and safety concerns pursuant to the site investigation report provided by the potential customers.

For build-only foundation projects, we will prepare and submit price quotations pursuant to the piling design provided by the customers.

The following table sets forth the number of projects tendered, number of successful projects tendered and our success tender rate in the capacity as main contractor and sub-contractor during the Track Record Period and up to the Latest Practicable Date:

	Year ended 31 March			Five months ended 31 August 2017 and up to the Latest Practicable Date
	2015	2016	2017	
Foundation projects acting as sub-contractor				
— Number of formal tenders submitted	1	—	2	2
Number of successfully tendered projects / successful rate	<u>1 (100.0%)</u>	<u>—</u>	<u>1 (50.0%)</u>	<u>1 (50.0%)</u>
— Number of cooperate submissions with main contractors	11	20	11	3
— Number of successfully awarded projects / successful rate	<u>4 (36.4%)</u>	<u>8 (40.0%)</u>	<u>1 (9.1%)</u>	<u>0 (0%)</u>
Foundation projects acting as main contractor				
— Number of formal tenders submitted	—	1	11	3
Number of successfully tendered projects / successful rate	<u>—</u>	<u>1 (100.0%)</u>	<u>6 (54.5%)</u>	<u>0 (0%)</u>
— Number of cooperate submissions with the project owners or property developer	—	—	—	—
— Number of successfully awarded projects / successful rate	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Award of foundation projects

Our customers may make further enquiries with us to clarify on any particulars of our submitted tenders upon receipt of our tender. Our customers will inform us by way of letters of award or confirmations following their decisions to appoint us as contractor. We would then proceed to secure our engagement with our sub-contractors and arrange with our suppliers for the supply of materials for the project as soon as we are formally engaged by our customer.

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Project management and execution

As soon as our engagement is confirmed by our customer, we will commence the implementation and execution of the project by forming a project team, arranging for sub-contractors, procuring for the required materials and planning for delivery of machinery to the construction site.

Project management

Our project team generally comprises the project manager, engineer, site agent, quantity surveyor and foreman. Our project team is responsible for monitoring closely the progress of the project, overseeing the project on site and reporting to the Director the status of the project and any issues or problems that are identified and need to be resolved from time to time.

Our project manager will provide progress reports to our executive Directors on a regular basis to report on the project performance and status, progress and any risks of delay, follow-up matters as well as comments received from our customer. Progress meeting will also be held with our customer and our sub-contractors from time to time at different stages of the project to review the progress of the project and to resolve any problems which may arise. Our customer may also request for a progress report to be prepared by our engineers.

Our construction manager will determine the time allocation for the use of machinery for different projects, the number and types of machinery to be used in different projects, and the logistics for the delivery of machinery to the construction site.

Our engineer will prepare a daily record of the construction site recording the construction works performed by both our workers and sub-contractors at the construction site and such records should be submitted for review by our project manager.

Our site agent is responsible for monitoring the work progress and inspecting fieldworks and communicating the progress of the project with our foreman. Our foreman has to supervise our workers and sub-contractors on the construction site and communicate with our project manager the quality of the construction work being carried out. Our quantity surveyor will inspect the work progress prior to our preparing the payment application with our customer and to sub-contractor and/or supplier.

We will usually engage a third party with HOKLAS accreditation to perform testing and sampling on materials that need to meet specific requirements, such as structural steel and concrete, prior to their usage.

Design and engineering support

Our engineer is responsible for preparing the construction site daily record to record on the attendance of workers, the kinds of works performed by the workers and sub-contractors. The

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construction site daily record will be passed by our engineer to the project manager for review. The engineer is responsible for keeping the construction site daily record in the construction site for checking by the project manager and directors from time to time. Our engineer will also prepare a progress report and submit the progress report to our project manager for review.

Procurement and sub-contracting

Our quantity surveyor is responsible for inspecting the work progress on the construction site and checking with our project manager to understand the latest progress status. He is also responsible for preparing the payment application. Our quantity surveyor also need to update our project manager the latest certified progress with the customer.

We mainly purchase construction materials including concrete, reinforcement bar, and structural steel for the project. Our quantity surveyor will place orders and purchase the required materials from our suppliers pursuant to the specifications required. Some construction materials might be purchased by our customer on our behalf for certain of our projects.

Construction materials are usually sent to the construction site directly by our suppliers and we do not retain any construction materials as our inventory as the construction materials are acquired only on a project-by-project basis.

We may subcontract certain parts of the project to our sub-contractors, which include piling works, reinforcement bar fixing works, concreting works, formwork erection works and lateral support works depending on our availability of resources, complexity of project and cost effectiveness.

Construction management

Our site agent is responsible for monitoring the work progress, inspecting the fieldworks and communicating with the foreman in respect of the operation details of the project, while our foreman is responsible for supervising the work and progress of the workers and sub-contractors on the construction site.

Our customer/customer's representative would inspect and certify our works completed at different stages of our execution of the foundation projects. Upon our completion of the entire project to the satisfaction of our customer, our customer may issue a practical completion certificate for the project. It would normally take one month to three months for the issue of the practical completion certificate. Our customers may order for variations of work by executing additional or modification works. All works executed by us as a result of such variations will be valued by the customer/customer's representative and us pursuant to the rates set forth in the original contract or supplemental agreement for the relevant items of works.

BUSINESS

Safety, health and environmental monitoring and control

To maintain the effectiveness and efficiencies of safety, health and environmental management system, we ensure our standards for safety, health and environmental management system will comply with the statutory requirements. We will also allocate sufficient resources to our project management team and frontline employees to implement the safety management system. Site supervision and regular trainings for safety, health and environmental control will also be conducted.

In order to enhance our monitoring and control of the safety, health and environmental management system, we will set various key performance indicators, i.e. accident rate, sound level). If it exceeds over acceptable level, we will undertake immediate rectifications accordingly.

We also conduct recognised audits and regular review including: Safety Management Regulation audit, OHSAS: 18001, ISO: 14001 to monitor our safety, health and environmental management systems.

Progress payment

We will submit payment application to our customers pursuant to works performed in the preceding month, which generally includes the estimated value for work done, any variation of works performed, materials delivered to the construction site and costs of such materials delivered. Such amount should be netted off with any costs of construction materials procured on our behalf by our customers. A payment certificate will be issued to us after the consultant or architect appointed by our customers have certified the amount of works done and our customer is satisfied with our payment application. Payment will then be made to us according to the payment application. Usually up to 10% of each interim payment and up to a maximum limit of five per cent. of the contract sum will be retained by our customers as retention money for the relevant project.

Similarly, we normally pay our sub-contractors on a monthly basis with reference to the value of the works done in the similar manner we are paid under the main contracts. In the case of us being a sub-contractor, we normally settle the progress payment and retention money with the main contractor.

Project completion and delivery

The project owner or property developer will issue a practical completion certificate to the main contractor once the contract has been completed upon our customer's satisfaction. Part of the retention money, if any, will be released upon issuance of the practical completion certificate. If there is any delay in completion, the customer can claim liquidated damages in accordance with the agreed daily calculation as stipulated in the contract. However, if the delay is caused by factors that are beyond our control, an extension of time may be negotiated with the customer.

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Whenever a delay is expected regarding certain stage of the project, we may issue a notification of delay to the customer, setting out information regarding the reason for delay such as change in design, extreme weather conditions, additional work to be undertaken and time implications on the project. The customer representative may make assessment and to determine the number of days extended and then to determine whether any liquidated damages will be payable to the customer.

Defects liability period

We are required to provide defects liability period which usually ranges from six to 18 months from the date of the practical completion depending on the nature and scale of projects, during which we are responsible for any remedial works that may arise from defective works performed or defective materials used by us. After completion of the rectification works, our customers or architects and/or engineers employed by them will issue a certificate indicating their satisfaction of the rectification works. We may require a similar defects liability period from our sub-contractors. During the Track Record Period, we did not experience any material claim by our customers in respect of any defective works.

Surety bonds

When we undertake foundation project as a main contractor, a surety bond of 10% of the contract sum is normally required by our customer to secure our due performance of the contract. Such surety bond will be released upon date of practical completion or maintenance certificate issued by the architect and/or engineer of the customer at the expiry of the defects liability period.

Liquidated damages

Our contracts may include a clause providing for an “extension of time” to provide for certain unforeseen circumstances beyond our control, which allows us to extend the completion date subject to the parties’ agreement. We may be subject to liquidated damages due to delay in completing the project if extension of time is not granted by our customers. Liquidated damages are calculated on the basis of a fixed sum per day or based on mechanism stipulated under the contract for calculation of the damages for the period of time the works remain incomplete. During the Track Record Period and up to the Latest Practicable Date, we did not receive any material claim for liquidated damages against us due to our delay in completing projects in respect of which time extension is not granted by our customers.

Release of retention money

The retention money will be withheld from the progress payment by our customer. Retention money is normally 10% of the value of works done, subject to a maximum rate of five per cent. of the total contract value. Upon satisfactory completion of the contract, half of the retention money will be released to us upon the issue of the practical completion certificate. The remaining half of the retention money is usually released upon the expiry of the defects liability period when a maintenance certificate will be issued by the architect to authorise such release, which may take one month to three months.

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As of 31 August 2017, the aggregate retention money held by our customers for contracted works included in our retention receivables amounted to approximately HK\$13.5 million. We expect that all such retention money will be released according to the respective contracts and works completed.

The amount of retention money held by us from sub-contractors is normally 10% of the monthly payment and is subject to a mutually agreed cap (which is normally 5% of the total subcontract sum). As of 31 August 2017, the aggregate retention payables to our sub-contractors and held by us amounted to HK\$12.0 million.

The Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, the Group did not incur any loss arising from the foundation projects undertaken by it.

QUALIFICATIONS AND CERTIFICATIONS

Registrations and qualifications

We have obtained the required registrations and qualifications for our principal business activities. As of the Latest Practicable Date, we held the following registrations:

<u>Members of our Group</u>	<u>Buildings Department Contractors Registration Category</u>	<u>Registration department of Hong Kong Government</u>	<u>Expiry date</u>
Vicon Construction . . .	Registered Specialist Contractor — Foundation Works	Buildings Department	2 September 2018
Vicon Construction . . .	Registered General Building Contractor	Buildings Department	12 September 2018

We comply in all material respects with the respective licences, permits, registrations, and relevant regulatory requirements in respect of safety and environmental protection in the construction industry.

We will renew all existing licenses around six months before their respective expiry date. We have not experienced any refusal of renewal of the licences necessary for our daily operations or any non-compliance with relevant laws and regulations of Hong Kong which caused material disruption to our operations during the Track Record Period and up to the Latest Practicable Date.

Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we had obtained all registrations and approvals required for our business and operations in Hong Kong.

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Certifications

The following table sets forth the certifications issued to us in respect of our management or quality control system:

<u>Members of our Group</u>	<u>Certification</u>	<u>Nature</u>	<u>Awarding organisation</u>	<u>Validity period</u>
Vicon Construction and Vicon Machinery	ISO 9001:2008	Quality Management System Accreditation	Compliance Certification Corporation Limited	Vicon Construction: 2 October 2015 to 2 October 2018 Vicon Machinery: 12 November 2015 to 12 November 2018
Vicon Construction and Vicon Machinery	OHSAS 18001:2007	Occupational Health & Safety Management System	Compliance Certificate Corporation Limited	Vicon Construction: 2 October 2015 to 2 October 2018 Vicon Machinery: 12 November 2015 to 12 November 2018
Vicon Construction and Vicon Machinery	ISO 14001:2004	Environmental Management System	Compliance Certificate Corporation Limited	Vicon Construction: 2 October 2015 to 2 October 2018 Vicon Machinery: 12 November 2015 to 12 November 2018

SALES AND MARKETING

We currently do not maintain a sales and marketing team. Our executive Directors focus on maintaining good business relationships with various industry participants in Hong Kong private sector, such as property developers, architects and engineers. We constantly collect market news relating to the Hong Kong property market and Hong Kong foundation contracting industry, through different means.

CUSTOMERS

During the Track Record Period, our revenue was derived from foundation projects. During the Track Record Period, we mainly acted as the sub-contractor for foundation projects and we have acted as main contractor for foundation project since February 2016. Our customers include main contractors, project owners and property developers. All of our customers are located in Hong Kong and our income is denominated in HK dollars.

In general, foundation projects are awarded to us on a project basis. We have not entered into any long-term master agreement with any of our customer during the Track Record Period.

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During the Track Record Period, some customers awarded more than one foundation project to us. The number of customers with revenue recognised was two, five, eight and nine for the Track Record Period, respectively. During the Track Record Period, we recognised revenue generated from six, 12, 18 and 15 projects in Hong Kong private sector, and all of these projects, except for 13 projects, have been completed up to the Latest Practicable Date. As of the Latest Practicable Date, we are working on 13 projects in Hong Kong, of which we act as the main contractor in five projects and as the sub-contractor in eight projects. Most of these projects are expected to be completed during the year ending 31 March 2018 with most of the revenue expected to be recognised during the year ending 31 March 2018. During the Track Record Period, there were three, four, four and two projects, respectively, with revenue recognised in the relevant year with contract sum over HK\$100 million.

We have 13 foundation projects on hand as of the Latest Practicable Date. The contract sum of these foundation projects amounted to HK\$631.1 million and the estimated amount of revenue expected to be generated from these foundation projects during the seven months ending 31 March 2018 and the year ending 31 March 2019, based on the relevant contractual documents, is HK\$198.0 million and HK\$60.7 million, respectively.

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Major customers

The following sets forth an analysis of our revenue by our major customers:

For the five months ended 31 August 2017

Rank	Customer	Background of customer	Revenue generated (HK\$'000)	% of total revenue	Type of services provided	Length of relationship with us (year(s))	Date of commencement of business relationship with us
1	New Concepts Foundation Limited . . .	New Concepts Foundation Limited is a construction contractor principally engaged in foundation, civil engineering and general building works in Hong Kong which is a subsidiary of a company listed on the Main Board with a market capitalisation of approximately HK\$2.3 billion as at the Latest Practicable Date.	34,608	28.2	Site foundation, ELS and foundation and tree works	Four	August 2013
2	Willey Construction . . .	A Hong Kong incorporated privately-owned construction contractor.	31,101	25.3	ELS and foundation works/Streetscape enhancement works/ ELS, permanent basement wall, foundation and pile cap works	Five	June 2012
3	Kin Shing (Leung's) General Contractor Limited	Kin Shing (Leung's) General Contractors Limited is a construction contractor engaged in construction and civil engineering works which is a subsidiary of a company listed on the Main Board with a market capitalisation of approximately HK\$9.7 billion as at the Latest Practicable Date.	29,051	23.7	Foundation, ELS and pile cap works/ underground and related works	Two	February 2015

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Rank	Customer	Background of customer	Revenue generated (HK\$'000)	% of total revenue	Type of services provided	Length of relationship with us (year(s))	Date of commencement of business relationship with us
4	Customer A	A Hong Kong incorporated property developer which is a subsidiary of a company listed on the Main Board with a market capitalisation of approximately HK\$9.5 billion as at the Latest Practicable Date.	13,933	11.4	Foundation, ELS and pile cap construction works	Less than one	February 2017
5	Absolute Keen Limited.	Absolute Keen Limited is a property developer which is a subsidiary of a company listed on the Main Board with a market capitalisation of approximately HK\$4.0 billion as at the Latest Practicable Date.	5,561	4.5	Site formation, ELS and foundation works	One	February 2016
Total			<u>114,254</u>	<u>93.1</u>			

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For the year ended 31 March 2017

Rank	Customer	Background of customer	Revenue generated (HK\$'000)	% of total revenue	Type of services provided	Length of relationship with us (year(s))	Date of commencement of business relationship with us
1	New Concepts Foundation Limited	New Concepts Foundation Limited is a construction contractor principally engaged in foundation, civil engineering and general building works in Hong Kong which is a subsidiary of a company listed on the Main Board with a market capitalisation of approximately HK\$2.3 billion as at the Latest Practicable Date.	114,160	43.3	Site formation, ELS and foundation and tree works	Four	August 2013
2	Willey Construction	A Hong Kong incorporated privately-owned construction contractor.	86,606	32.9	ELS and foundation works/Streetscape enhancement works/ ELS, permanent basement wall, foundation and pile cap works	Five	June 2012
3	Kin Shing (Leung's) General Contractor Limited	Kin Shing (Leung's) General Contractors Limited is a construction contractor engaged in construction and civil engineering works which is a subsidiary of a company listed on the Main Board with a market capitalisation of approximately HK\$9.7 billion as at the Latest Practicable Date.	31,367	11.9	Foundation, ELS and pile cap works/ underground and related works	Two	February 2015
4	Absolute Keen Limited	Absolute Keen Limited is a property developer which is a subsidiary of a company listed on the Main Board with a market capitalisation of approximately HK\$4.0 billion as at the Latest Practicable Date.	17,701	6.7	Site formation, ELS and foundation works	One	February 2016
5	Customer B	A Hong Kong incorporated property developer which is a subsidiary of a company listed on the Main Board with a market capitalisation of approximately HK\$241.8 billion as at the Latest Practicable Date.	7,440	2.8	Formation of the vehicular access road works	Less than one	October 2016
Total			257,274	97.6			

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For the year ended 31 March 2016

Rank	Customer	Background of customer	Revenue generated (HK\$'000)	% of total revenue	Type of services provided	Length of relationship with us (year(s))	Date of commencement of business relationship with us
1	Willey Construction	A Hong Kong incorporated privately-owned construction contractor.	169,431	52.4	ELS and foundation works/Streetscape enhancement works/ ELS, permanent basement wall, foundation and pile cap works	Five	June 2012
2	Kin Shing (Leung's) General Contractor Limited	Kin Shing (Leung's) General Contractors Limited is a construction contractor engaged in construction and civil engineering works which is a subsidiary of a company listed on the Main Board with a market capitalisation of approximately HK\$9.7 billion as at the Latest Practicable Date.	127,109	39.3	Foundation, ELS and pile cap works/ underground and related works	Two	February 2015
3	New Concepts Foundation Limited	New Concepts Foundation Limited is a construction contractor principally engaged in foundation, civil engineering and general building works in Hong Kong which is a subsidiary of a company listed on the Main Board with a market capitalisation of approximately HK\$2.3 billion as at the Latest Practicable Date.	16,198	5.0	Site formation, ELS and foundation and tree works	Four	August 2013
4	Customer C	A Hong Kong incorporated construction contractor principally engaged in general contracting, building and civil engineering and rental of machinery which is a subsidiary of a company listed on the Main Board with a market capitalisation of approximately HK\$4.1 billion as at the Latest Practicable Date.	9,946	3.0	Grouting works	Four	August 2013

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Rank	Customer	Background of customer	Revenue generated (HK\$'000)	% of total revenue	Type of services provided	Length of relationship with us (year(s))	Date of commencement of business relationship with us
5	Absolute Keen Limited	Absolute Keen Limited is a property developer which is a subsidiary of a company listed on the Main Board with a market capitalisation of approximately HK\$4.0 billion as at the Latest Practicable Date.	879	0.3	Site formation, ELS and foundation works	One	February 2016
			<u>323,563</u>	<u>100.0</u>			
		Total					

For the year ended 31 March 2015

Rank	Customer	Background of customer	Revenue generated (HK\$'000)	% of total revenue	Type of services provided	Length of relationship with us (year(s))	Date of commencement of business relationship with us
1	Willey Construction	A Hong Kong incorporated privately-owned construction contractor.	276,495	99.9	ELS and foundation works/Streetscape enhancement works/ ELS, permanent basement wall, foundation and pile cap works	Five	June 2012
2	Kin Shing (Leung's) General Contractor Limited	Kin Shing (Leung's) General Contractors Limited is a construction contractor engaged in construction and civil engineering works which is a subsidiary of a company listed on the Main Board with a market capitalisation of approximately HK\$9.7 billion as at the Latest Practicable Date.	257	0.1	Foundation, ELS and pile cap works/ underground and related works	Two	February 2015
			<u>276,752</u>	<u>100.0</u>			

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The amount of revenue generated from our five largest customers amounted to HK\$276.8 million, HK\$323.6 million, HK\$257.3 million and HK\$114.3 million for the Track Record Period, respectively, representing the entire amount of our revenue during the two years ended 31 March 2016, 97.6% of our revenue during the year ended 31 March 2017 and 93.1% of our revenue for the five months ended 31 August 2017. All of the above five largest customers are Independent Third Parties and none of our Directors, their respective associates or any shareholders who own more than five per cent. of our issued share capital, to the knowledge of our Directors, had any interest in any of the above five largest customers during the Track Record Period.

Willey Construction as our major customers

Willey Construction was one of our major customers prior to the Track Record Period since our commencement of business in June 2012 when Mr. CHOW and Mr. TSANG decided to strengthen our business as specialist a foundation contractor. Due to some other previous projects working for Willey Construction, Mr. CHOW and Mr. TSANG were then provided with the opportunity to closely work with Willey Construction. This business cooperation represented one of our business milestone as a specialist foundation contractor.

Background information of Willey Construction

Willey Construction is an established full-service construction company focusing on building construction, demolition, foundation and site formation, road and drainage, renovation, alternation and additional construction works in Hong Kong private sector. The issued share capital of Willey Construction is HK\$1,000,000. The licenses and registrations obtained by Willey Construction include (a) Registered General Building Contractor; (b) Registered Specialist Contractor — Demolition Works; (c) Registered Specialist Contractor — Foundation Works; and (d) Registered Specialist Contractor — Site Formation Works.

Willey Construction is an Independent Third Party and has never been connected with any of our Directors or Controlling Shareholders or Substantial Shareholders or their respective associates. By cooperating with Willey Construction, we have the opportunity to access to the sizeable construction projects engaged by those leading property developers. During the Track Record Period, Willey Construction awarded five, two, three and nil foundation projects to us, respectively, as its sub-contractor.

We worked with Willey Construction in preparing the technical aspects of the tender documents and providing the project management services. The project management services provided by us included supervision of quality and progress of construction works of other sub-contractors and preparation of regular reports and completion matters. Because of the business cooperation, Willey was our largest customers during the Track Record Period.

Revenue generated from Willey Construction amounted to HK\$276.5 million, HK\$169.4 million, HK\$86.6 million and HK\$31.1 million, representing 99.9%, 52.4%, 32.9% and 25.3% of our total revenue, respectively. Based on relevant contractual documents, the amount of revenue expected to be generated from Willey Construction for the seven months ending 31 March 2018 and the year ending 31 March 2019 would be HK\$27.5 million, representing only 10.6% of total amount of the expected backlog revenue as of the Latest Practicable Date.

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Business with Willey Construction during the Track Record Period

Although Willey Construction was one of our major customers for the year ended 31 March 2016, there was a significant decrease in revenue generated from Willey Construction from 99.9% in 2015 to 52.4% in 2016 and to 32.9% in 2017. The tender success rate was 30%, 29.4%, nil and nil during the Track Record Period, respectively. The decrease in tender success rate was due to our business strategy to develop the main contractor business in foundation projects in Hong Kong private sector.

During the year ending 31 March 2018, our Directors expect that revenue generated from Willey Construction would represent 18.3% of our estimated total revenue. The decrease was due to the fact that we have a larger customer base and our strategy to act as the main contractor in foundation projects undertaken by us. In this connection, we have successfully registered as a *Specialist Contractor — Foundation Works* since September 2015 and a *General Building Contractor* since October 2015 under the same ordinance. Following completion of these registrations, we have started tendering for foundation projects as the main contractor whilst continuing working closely with Willey Construction as its sub-contractor in foundation projects. Our Directors consider that the business development represents our organic growth strategy.

No reliance on the limited number of customers, in particular, Willey Construction

Our Directors consider that we are not unduly relying on the limited number of customers, in particular, Willey Construction because of the following considerations:

- (a) Vicon Construction has been registered as a *Registered Specialist Contractor — Foundation Works* since September 2015 and a *Registered General Building Contractor* with the Buildings Department since September and October 2015, respectively. These two registrations facilitate our Group's refined business strategy to expand its customer base by attracting not only main contractors of foundation projects, but also project owners or property developers. During the Track Record Period, we had two, five, eight and nine customers, respectively, of which one, four and five customers of our Group during the two years ended 31 March 2017 and five months ended 31 August 2017, respectively, are project owners or property developers.
- (b) With the business development in 2016, our focus is on design-and-build foundation projects acting as sub-contractor and main contractor. During the Track Record Period and up to the Latest Practicable Date, we secured a total of 25 foundation projects, of which seven foundation projects are design-and-build projects. The remaining 18 projects are build-only foundation projects. All of these projects, except for 13 ongoing foundation projects, have been completed up to the Latest Practicable Date. We have acted as main contractor in foundation projects since February 2016 following completion of the registration as a specialist contractor under the Buildings Ordinance. As of the Latest Practicable Date, we act as the main contractor in five foundation projects.

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- (c) The percentage of revenue generated from Willey Construction was 99.9%, 52.4%, 32.9% and 25.3%, for the Track Record Period, respectively. During the Track Record Period, the amount of revenue generated from Willey Construction amounted to HK\$276.5 million, HK\$169.4 million, HK\$86.6 million and HK\$31.1 million, respectively. The substantial amount of revenue generated from Willey Construction during the year ended 31 March 2015 was mainly due to the then two ongoing targeted foundation projects, i.e. the Mid-Levels project and the North Point project, in which Willey Construction was the main contractor. With the practical completion of these two projects, the revenue generated from Willey Construction continued to decrease.
- (d) The above percentage decrease was also due to the fact that we had established an expanded and reputable customer base of main contractors, project owners and property developers, which involve subsidiaries of Hong Kong listed companies. During the Track Record Period, our Directors strived to diversify the customer base by entering into contracts with new customers. The number of customers increased from two during the year ended 31 March 2015 to nine during the five months ended 31 August 2017. In addition, we have enlarged the customer base by focusing on foundation projects acting as main contractor. We have secured seven foundation projects acting as main contractor, of which five customers are project owners or property developers.

We use two principal approaches to solicit new customers.

First, we may receive tender invitations from the property developers or project owners of foundation projects in which we previously acted as sub-contractor. Throughout our business development, we have acted as sub-contractor in a number of foundation projects. This track record as well as our performance in these foundation projects has allowed us to have direct access to the property developers and project owners who would liaise with us directly if they have new foundation projects that require the relevant expertise and experience. Our business profile as well as our proven track record in completing foundation projects also facilitate us to solicit new customers in Hong Kong construction industry.

Second, independent construction consultancy and architectural firms which had cooperated with us previously may also refer business opportunities to us. These consultants may refer us to new customers to tender for potential foundation projects if they believe that we are suitable for those foundation projects in terms of expertise and experience and the machinery required.

- (e) In light of the foregoing, our Directors are of the view, and the Sole Sponsor concurs with us that, even though there was high customer concentration of our Group during the year ended 31 March 2015, such percentage has decreased significantly during the two years ended 31 March 2017 and five months ended 31 August 2017 primarily due to the business development efforts of our Group to diversify its customer base leveraging its competitive strengths in the foundation contracting industry.
- (f) According to the Ipsos Report, the revenue of the foundation contracting industry is expected to grow from about HK\$21.9 billion to about HK\$24.0 billion at a CAGR of 3.1% from 2017 to 2020. Our Directors believe that we will be able to increase our market share in Hong Kong

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private sector and expand our service offerings in private and public sectors, in Hong Kong and other targeted markets, following the Listing because of the additional financial resources and the enhanced corporate profile. Our Directors therefore expect that the amount of revenue generated from Willey Construction would continue to decrease.

Customer concentration

During the Track Record Period, revenue generated from our five largest customers amounted to HK\$276.8 million, HK\$323.6 million, HK\$257.3 million and HK\$114.3 million, respectively, representing the entire amount of our revenue during the two years ended 31 March 2016, 97.6% of our total revenue during the year ended 31 March 2017 and 93.1% of our total revenue for the five months ended 31 August 2017. Our Directors consider that it is common for construction contractors to rely on a few customers, and customer concentration is not uncommon for construction companies in Hong Kong. The potential customer base in foundation contracting industry is relatively limited, which is concentrated primarily to reputable property developers, construction contractors and other reputable main contractors in Hong Kong. It is also common for a single project to contribute a significant part of revenue. As a result, a small number of projects can contribute to a substantial amount of our revenue for a given year and a relevant customer may have significant revenue contribution for more than a year.

Over the years, we endeavour to develop and have developed business relationships with some of our major customers as a result of our proven track record as a specialised contractor in foundation projects with the expertise and capability to develop alternative and cost-efficient foundation and engineering design proposals. Our Directors consider that our business is sustainable even though we may have a concentrated customer base. We have been actively tendering for projects during the Track Record Period as evidenced by the number of foundation projects awarded to us. Further information is set forth in the paragraphs under “Our Foundation Projects” above. We experienced a strong demand for our services during the Track Record Period as evidenced by the number of tender invitations that we received from customers during the Track Record Period. We believe that the demand for our services would remain strong in the future. According to the Ipsos Report, revenue generated by the foundation contracting industry is expected to grow from about HK\$21.9 billion to about HK\$24.0 billion at a CAGR of 3.1% from 2017 to 2020.

Principal terms contained in the contractual documents of our foundation projects

Foundation projects are awarded to us on non-recurring basis. During the Track Record Period, we did not enter into any long-term contract with any of our customers and this, to our Directors’ belief, is an industry practice.

The terms of sub-contracting agreements we enter into with the main contractor generally mirror the terms of the contracts between the main contractor and the project owner or developer. A summary of the terms generally included in our sub-contracting agreement is set forth below:

Contract sum : Schedule of rates with breakdowns of work specifications.
Contract price may be adjusted pursuant to any variation orders to the specified scope of works.

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Specifications :	Contained architectural, technical and structural drawings and specifications. Materials and equipment to be used.
Subcontracting :	Subcontracting is allowed. We shall be liable for the works of our sub-contractors.
Terms of payments :	Interim payment certificate shall be issued on a monthly basis.
Insurance :	Main contractors shall arrange for employees' compensation insurance and contractors' all risk insurance.
Liquidated damages :	If we fail to complete our contract works before the stipulated time, we may, subject to the extension of time approved by our customers, need to pay liquidated sum to our customers pursuant to the contracts. The amount of compensation to be paid is a fixed amount per day.
Site facilities and materials . . . :	Main contractor may arrange for site facilities, such as waste disposal, traffic control and security guards. Some main contractors may procure construction materials on our behalf and arrange for delivery to the site area.
Defects liability period :	Up to 18 months.
Retention money :	Our customers may retain up to 10% of each interim payment subject to a maximum limit of five per cent. of the total contract sum as retention money, 50% of which shall be released to us upon issue of payment completion certificate while the remaining 50% of the retention money may be released at the end of the defects liability period or the issue of the certificate of completion of making good defects subject to agreement of the final account.

During the Track Record Period, we also acted as the main contractor for property developers or project owners in five foundation projects. Whilst the contractual terms for each of these projects are different and negotiated on an arm's basis with reference to the peculiar circumstances of the relevant projects, the following sets forth the principal common terms of such foundation projects:

Contract period :	The period within which the project has to be completed. We are required to follow the specified pre-determined work schedule. However, such schedule may be extended from time to time pursuant to the terms of the relevant contract.
Scope of work :	The scope of foundation or ancillary works together with the layout plan are specified in the contract.
Payment terms :	We generally provide our customers with a written statement of the value of all works done under the contract on a monthly basis. The credit period for settlement of payment by our customers generally ranges from 14 to 30 days from the date of invoice.

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Schedule of rates :	Description of the type of work and the specification of the works together with the quantity and the unit price.
Variation orders :	Variation by executing additional or modification works as may be ordered by the customer. All work executed by us as a result of such variations shall be valued between the quantity surveyor and us in accordance with the principles that, among other things, any additional work carried out which is similar in character to and executed under similar conditions to any item of work priced in the original contract shall be valued at the rate set forth in the original contract for such item of work.
Liquidated damages :	If we fail to complete the contract works within the date of completion as set forth in the contract, we may, subject to the rights for time extension, be required to compensate our customers a sum of liquidated damages calculated on the basis of a fixed sum per day or according to certain damages calculating mechanism as stipulated under the contract for the period which the works remain incomplete.
Retention money :	Our customers are generally entitled to withhold 10% of the value of work done, subject to a maximum retention of 5% of the total contract value as retention money.
Surety bonds :	Our customers generally require us to take out a surety bond issued by a bondsman of 10% of the contract sum to secure our Group's due performance of the contract.
Default. :	We may be held in default of the contract if we, among other things: <ul style="list-style-type: none">— abandon the contract; or— without reasonable cause wholly suspend the carrying out of the works before completion; or— fail to proceed regularly and diligently with the works; or— become bankrupt or make a composition or arrangement with our creditors or have a winding up order made or a resolution for voluntary winding up passed,
Defects liability period :	We are required to remain responsible for remedying any defects or imperfections discovered in relation to our works done for a certain period of up to 12 months after completion of our contracts.

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Insurance : In the case where we are appointed as the main contractor, we shall effect and maintain in force the employee's compensation insurance and contractors' all risk insurance in respect of damages or compensation payable at law in respect of accidents or injuries.

Credit policy

We submit to our customer payment application for interim payment on a monthly basis pursuant to works done in the preceding month. An interim payment certificate will be issued to us usually within one month if our customer agrees and is satisfied with our interim payment application. We will then issue an invoice to our customer and our customer will settle the interim payment and retain a certain percentage of our payment as retention money.

We will usually grant a credit period up to 30 days from the date of the issue of invoice to our customers. Credit terms granted to our customers are generally set forth in the relevant contract. Generally, payment is due within 30 days after presentation of invoice together with the relevant consultant's certificate. Settlement is normally made by cheque. The number of trade receivable turnover days is 25.6 days, 19.2 days, 27.4 days and 27.8 days for the Track Record Period, respectively.

We did not make any provision for doubtful debts during the Track Record Period. Factors taken into account for such purpose include length of business relationship, repayment history, past reputation and financial strength of the relevant customers.

Seasonality

There is no significant seasonality for the foundation and substructure construction industry in Hong Kong.

SUPPLIERS

Our suppliers are suppliers of construction materials, parts and consumables. Major construction materials used by us include concrete, reinforcement bar, structural steel and other construction materials which are sourced by us in Hong Kong. During the Track Record Period, we incurred HK\$13.5 million, HK\$14.9 million, HK\$46.3 million and HK\$34.7 million, respectively, in the cost of construction materials, parts and consumables, representing 5.6%, 5.6%, 21.5% and 33.2% of our total cost of sales for the same period.

We maintain a pre-approved list of suppliers. As of the Latest Practicable Date, we had 66 suppliers in our pre-approved list for the supply of construction materials, parts and consumables, such as structural steel, cement, petrol, reinforcement bar, concrete and machineries. During the Track Record Period, none of the suppliers were removed from our pre-approved list of suppliers due to quality issue of construction materials provided to us.

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We have not entered into any long term supply agreements with our suppliers. We generally order construction materials, parts and consumables on a project-by-project basis. However, for construction materials, parts and consumables which are frequently used by us, such as steel bar and diesel fuel, we may have bulk purchase to ensure a stable supply. Our supply contracts generally specify details including the type of materials to be used or services required, price, quantity and payment terms. We select our suppliers primarily based on product quality, pricing, timeliness of delivery, market reputation and our previous cooperation and experience with such suppliers.

We acted mainly as the sub-contractor during the Track Record Period. For the foundation projects of which we act as the sub-contractor, the materials are generally supplied by the designated suppliers of the main contractor, subject to the terms and conditions of the relevant sub-contracting arrangements. We source the materials from our approved list of suppliers in case there is no such requirement as agreed with the main contractor. For the foundation projects of which we act as main contractor, we will source the required construction materials from suppliers in our approved list or we may require our sub-contractors to source the required construction materials from our designated suppliers, subject to the terms and conditions of the relevant sub-contracting arrangements.

The table below sets forth a breakdown of the number of suppliers by purchase category during the Track Record Period:

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
Construction materials	10	17	16	16	25
Diesel fuel	2	2	1	1	1
Transportation services	2	4	4	4	3

During the Track Record Period, we have not experienced any significant delay in delivery of construction materials by our suppliers which has caused disruption to our works. We have not experienced any material fluctuations in the price of construction materials during the Track Record Period.

Major suppliers

Costs of construction materials paid to our largest supplier (excluding our sub-contractors) amounted to HK\$8.0 million, HK\$2.8 million, HK\$16.3 million and HK\$7.8 million, respectively, representing 3.3%, 1.0%, 7.6% and 7.5% of our total cost of sales and the costs of construction materials paid to our five largest suppliers (excluding our sub-contractors) amounted to HK\$13.5 million, HK\$7.3 million, HK\$28.6 million and HK\$26.1 million, respectively, representing 5.6%, 2.6%, 13.3% and 25.0% of our total cost of sales, for the Track Record Period.

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So far as is known to our Directors, none of our Directors, their respective associates or any Shareholder who owns more than five per cent. of the issued share capital of our Company had any interest in any of our five largest suppliers during the Track Record Period. All these five largest suppliers are Independent Third Parties.

The table below sets forth information on our suppliers and our total purchases from the five largest suppliers during the Track Record Period:

For the five months 31 August 2017

Rank	Supplier	Background of supplier	Purchase	% of total cost of sales	Type of purchases	Length of relationship with us (year(s))	Date of commencement of business relationship with us
(HK\$'000)							
1	Supplier A . . .	A Bermuda incorporated company, the principal activities of its principal subsidiaries include supply of steel and concrete. It is a Hong Kong listed company	7,801	7.5	Construction materials	Four	November 2012
2	Supplier B . . .	A Hong Kong incorporated privately-owned company engaged in supply of steel	7,105	6.8	Construction materials	Four	November 2012
3	Supplier C . . .	A Hong Kong incorporated company engaged in supply of steel and is a subsidiary of a Hong Kong listed company	6,007	5.7	Construction materials	Four	September 2013
4	Supplier D . . .	A Hong Kong incorporated company engaged in supply of concrete and is a subsidiary of a Hong Kong listed company	4,315	4.1	Construction materials	Two	September 2015
5	Supplier E . . .	A Hong Kong incorporated privately-owned company engaged in supply of construction materials	896	0.9	Construction materials	Two	August 2015
Total			26,124	25.0			

For the year ended 31 March 2017

Rank	Supplier	Background of supplier	Purchase	% of total cost of sales	Type of purchases	Length of relationship with us (year(s))	Date of commencement of business relationship with us
(HK\$'000)							
1	Supplier B . . .	A Hong Kong incorporated privately-owned company engaged in supply of steel	16,336	7.6	Construction materials	Four	November 2012

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Rank	Supplier	Background of supplier	Purchase	% of total cost of sales	Type of purchases	Length of relationship with us (year(s))	Date of commencement of business relationship with us
			(HK\$'000)				
2	Supplier A	A Bermuda incorporated company, the principal activities of its principal subsidiaries include supply of steel and concrete. It is a Hong Kong listed company	4,328	2.0	Construction materials	Four	November 2012
3	Supplier C	A Hong Kong incorporated company engaged in supply of steel and is a subsidiary of a Hong Kong listed company	4,108	1.9	Construction materials	Four	September 2013
4	Supplier D	A Hong Kong incorporated company engaged in supply of concrete and is a subsidiary of a Hong Kong listed company	2,338	1.1	Construction materials	Two	September 2015
5	Supplier E	A Hong Kong incorporated privately-owned company engaged in supply of construction materials	1,539	0.7	Construction materials	Two	August 2015
Total			28,649	13.3			

For the year ended 31 March 2016

Rank	Supplier	Background of supplier	Purchase	% of total cost of sales	Type of purchases	Length of relationship with us (year(s))	Date of commencement of business relationship with us
			(HK\$'000)				
1	Supplier F	A Hong Kong incorporated privately-owned company engaged in supply of construction materials	2,790	1.0	Construction materials	One	January 2016
2	Supplier B	A Hong Kong incorporated privately-owned company engaged in supply of steel	1,659	0.6	Construction materials	Four	November 2012
3	Supplier C	A Hong Kong incorporated company engaged in supply of steel and is a subsidiary of a Hong Kong listed company	1,043	0.4	Construction materials	Four	September 2013
4	Supplier E	A Hong Kong incorporated privately-owned company engaged in supply of construction materials	896	0.3	Construction materials	Two	August 2015

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Rank	Supplier	Background of supplier	Purchase	% of total cost of sales	Type of purchases	Length of relationship with us (year(s))	Date of commencement of business relationship with us
			(HK\$'000)				
5	Supplier D	A Hong Kong incorporated company engaged in supply of concrete and is a subsidiary of a Hong Kong listed company	872	0.3	Construction materials	Two	September 2015
			<u>7,260</u>	<u>2.6</u>			
	Total						

For the year ended 31 March 2015

Rank	Supplier	Background of supplier	Purchase	% of total cost of sales	Type of purchases	Length of relationship with us (year(s))	Date of commencement of business relationship with us
			(HK\$'000)				
1	Supplier C	A Hong Kong incorporated company engaged in supply of steel and is a subsidiary of a Hong Kong listed company	8,018	3.3	Construction materials	Four	September 2013
2	Supplier G	A Hong Kong incorporated company engaged in supply of diesel fuel	1,805	0.7	Diesel fuel	Four	July 2013
3	Supplier A	A Bermuda incorporated company, the principal activities of its principal subsidiaries include supply of steel and concrete. It is a Hong Kong listed company	1,335	0.6	Construction materials	Four	November 2012
4	Supplier B	A Hong Kong incorporated privately-owned company engaged in supply of steel	1,173	0.5	Construction materials	Four	November 2012
5	Supplier H	A Hong Kong incorporated company engaged in supply of construction materials and is a subsidiary of a company listed in Hong Kong	1,138	0.5	Construction materials	Four	September 2013
	Total		<u>13,469</u>	<u>5.6</u>			

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Payment terms with our suppliers

Our suppliers are located in Hong Kong and our purchases are denominated in HK dollars. Construction materials purchased by us are settled by cheque payments in Hong Kong dollars. Our suppliers normally grant to us credit period up to 30 days. When the construction materials are supplied through the main contractor (for the foundation projects of which we act as sub-contractor) or the project owner or property developer (for the foundation projects of which we act as main contractor), the payments will be settled pursuant to the “contra-charge” provision in the relevant contractual documents.

SUB-CONTRACTORS

Our Directors consider that our competitive strengths lie in our extensive experience to develop alternative and cost-efficient foundation and engineering designs. Hence, we focus on design-and-build projects. During the two years ended 31 March 2016, we sub-contracted most of our construction works to specialised sub-contractors. Such sub-contracting works include ELS works, site formation, pile cap construction, lab-testing, piling works, lateral support works, formwork erection works, reinforcement bar fixing works, welding and concreting works and other miscellaneous works. We purchased new machinery during the two years ended 31 March 2017 and hence, we have started completing the construction works and reduced the amount of sub-contracting charges. Our sub-contracting charges during the Track Record Period amounted to HK\$190.8 million, HK\$209.4 million, HK\$107.3 million and HK\$38.6 million, respectively, representing 79.1%, 78.7%, 49.9% and 36.9% of our total cost of sales during the same period.

As of the Latest Practicable Date, we had 85 sub-contractors on our approved list of sub-contractors. All our sub-contractors are Independent Third Parties.

Major sub-contractors

Subcontracting charges attributable to our largest sub-contractor for the Track Record Period accounted for 50.4%, 32.5%, 10.7% and 9.2% of our total cost of sales, respectively, while our five largest sub-contractors for the Track Record Period accounted for 75.5%, 70.5%, 31.6% and 28.4% of our total cost of sales, respectively.

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The following table sets forth the profile of our top five sub-contractors for the Track Record Period:

For the five months ended 31 August 2017

Rank	Sub-contractor	Background of the sub-contractor	Sub-contracting works performed	% of total cost of sales	Type of sub-contracting works performed	Length of relationship with us (year(s))	Date of commencement of business relationship with us
			(HK\$'000)				
1	Sub-contractor A	A Hong Kong incorporated privately-owned construction contractor	9,581	9.2	Pile cap works	Four	November 2012
2	Sub-contractor B	A Hong Kong incorporated privately-owned construction contractor	7,192	6.9	Hoarding, tree felling, formation, and pile cap works	Less than one year	October 2016
3	Sub-contractor C	A Hong Kong incorporated privately-owned construction contractor	6,807	6.5	Pipe pile, grout curtain and soil nail works	Less than one year	January 2017
4	Sub-contractor D	A Hong Kong incorporated privately-owned construction contractor	3,371	3.2	Pipe pile, excavation and disposal works	Less than one year	October 2016
5	Sub-contractor E	A Hong Kong incorporated privately-owned construction contractor	2,790	2.7	Socket H Pile, pipe pile and soldier pile works	One	May 2016
	Total		<u>29,741</u>	<u>28.5</u>			

For the year ended 31 March 2017

Rank	Sub-contractor	Background of the sub-contractor	Sub-contracting works performed	% of total cost of sales	Type of sub-contracting works performed	Length of relationship with us (year(s))	Date of commencement of business relationship with us
			(HK\$'000)				
1	Sub-contractor D	A Hong Kong incorporated privately-owned construction contractor	23,079	10.7	Pipe pile, excavation and disposal works	Less than one year	October 2016
2	Sub-contractor E	A Hong Kong incorporated privately-owned construction contractor	19,000	8.8	Socket H Pile, pipe pile and soldier pile works	One	May 2016
3	Sub-contractor A	A Hong Kong incorporated privately-owned construction contractor	12,123	5.6	Pile cap works	Four	November 2012

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Rank	Sub-contractor	Background of the sub-contractor	Sub-contracting works performed (HK\$'000)	% of total cost of sales	Type of sub-contracting works performed	Length of relationship with us (year(s))	Date of commencement of business relationship with us
4	Sub-contractor F	A Hong Kong incorporated privately-owned construction contractor	7,772	3.6	Foundation, ELS and pile cap works	One	December 2015
5	Sub-contractor G	A Hong Kong incorporated privately-owned construction contractor	6,321	2.9	Excavation and external works	Less than one year	January 2017
	Total		<u>68,295</u>	<u>31.6</u>			

For the year ended 31 March 2016

Rank	Sub-contractor	Background of the sub-contractor	Sub-contracting works performed (HK\$'000)	% of total cost of sales	Type of sub-contracting works performed	Length of relationship with us (year(s))	Date of commencement of business relationship with us
1	Sub-contractor H	A Hong Kong incorporated privately-owned construction contractor	86,406	32.5	Foundation, ELS and pile cap works	Two	May 2015
2	New Concepts Foundation Limited	A Hong Kong incorporated construction contractor and a subsidiary of a Hong Kong listed company	75,593	28.4	Foundation and pile cap works	Four	August 2013
3	Sub-Contractor I	A Cayman Islands incorporated construction contractor listed in Hong Kong	10,700	4.0	Design and construction of ground improvement works/ Foundation works	Four	March 2013
4	Sub-Contractor J	A Hong Kong incorporated privately-owned construction contractor	8,952	3.4	Grouting Works	Two	May 2015
5	Sub-Contractor F	A Hong Kong incorporated privately-owned construction contractor	5,977	2.2	Foundation, ELS and pile cap works	One	December 2015
	Total		<u>187,628</u>	<u>70.5</u>			

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For the year ended 31 March 2015

Rank	Sub-contractor	Background of the sub-contractor	Sub-contracting works performed (HK\$'000)	% of total cost of sales	Type of sub-contracting works performed	Length of relationship with us (year(s))	Date of commencement of business relationship with us
1	New Concepts Foundation Limited	A Hong Kong incorporated construction contractor and a subsidiary of a Hong Kong listed company	121,500	50.4	Foundation, ELS and pile cap works	Four	August 2013
2	Sub-contractor K	A Hong Kong incorporated construction contractor and a subsidiary of a Hong Kong listed company	39,122	16.2	ELS, permanent basement wall, foundation and pile cap works	Three	October 2013
3	Sub-contractor I	A Cayman Islands incorporated construction contractor listed in Hong Kong	14,970	6.2	Design and construction of ground improvement works/ Foundation works	Four	March 2013
4	Sub-contractor L	A Hong Kong incorporated privately-owned construction contractor	3,616	1.5	Surveying service	Five	July 2012
5	Sub-contractor M	A Hong Kong incorporated privately-owned construction contractor	2,904	1.2	Pre-boring work for sheet piling installation	Four	December 2012
	Total		<u>182,112</u>	<u>75.5</u>			

Based on the information currently available to our Directors, none of our Directors, their respective associates, or any Shareholders who owned more than five per cent. of our Shares in issue as of the Latest Practicable Date had any interest in any of our five largest sub-contractors during the Track Record Period. All these five largest sub-contractors are Independent Third Parties.

Criteria for selection of sub-contractors

We have maintained an approved list of sub-contractors, which are selected based on their quality of work, qualifications, pricing, work experience and general reputation in the foundation contracting industry as well as their safety and environmental records. We will review and update the approved list from time to time. During the Track Record Period, none of the sub-contractors was removed from our approved list because of unsatisfactory performance.

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Sub-contracting process

During the two years ended 31 March 2016, we sub-contracted most of our construction works to specialised sub-contractors. Following the award of a foundation project, we will consider if we need to appoint sub-contractors in relation to any construction works required in light of our available resources, the fleet of machinery available and our cost in performing the construction works. Drawings and specifications will be provided to the relevant sub-contractors for fee quotation. If the terms and conditions are acceptable, we will enter into engagement letter with the sub-contractors. We will normally obtain and compare the fee proposals from at least three sub-contractors for the same construction works and would normally appoint the sub-contractors with the most reasonable price. We will inform the sub-contractors the timeline for the execution plans and the detailed terms of the sub-contracting arrangement pursuant to the specifications provided by our customers. We will monitor the progress and supervise the performance of the sub-contractors on an on-going basis until completion of the sub-contracting works. Following completion of sub-contracting work, inspection will be conducted jointly by our customers and us. Our sub-contractors will then issue invoice to us for interim subcontracting charges with reference to the value of actual sub-contracting works completed.

Our sub-contractors normally grant us credit period up to 30 days. Upon receiving the invoice from our sub-contractors, we will review the invoiced items against the original quotations prior to settlement and taking into account any additional works performed by the sub-contractors. Payment is normally made within one to two months from the date of invoice and is made by way of cheque in Hong Kong dollars. If we provide construction materials to our sub-contractors, the relevant costs of construction materials will be deducted from the sub-contracting charges before making payment to the sub-contractors. During the Track Record Period, we did not have any material dispute relating to settlement of sub-contracting charges with our sub-contractors.

Key terms of sub-contracting engagement

We do not have any employment arrangement with our sub-contractors and their employees as our sub-contractors are not our employees. We enter into sub-contracting agreements with our sub-contractors, the terms of which generally mirror the terms of the main contracts for the relevant projects. As we are engaged by our customers on project basis, we have not entered into any long-term contracts with our sub-contractors. The engagement of sub-contractors include basic terms such as pricing, scope of works, time of performance, arrangement of labour, purchase of materials, payment terms and retention money. We have the rights to hold our sub-contractors liable for any loss and damage suffered by us if their works are not done pursuant to the requirements set forth in our engagements.

Control measures on sub-contractors

Pursuant to the main contracts we entered into with the project owners or the sub-contracting agreements we entered into with the main contractors, we may be held liable to our customers for the work performance of our sub-contractors. Our contracts with the sub-contractors generally provide that it is the sub-contractors' obligations to rectify all defects or other faults in the subcontracted works that they perform within a reasonable time after receiving instruction from us.

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We have implemented measures to control the work quality and monitor the work performance of the sub-contractors. Our project management team has established certain procedures to monitor the work performance of our sub-contractors. Our project management team will monitor the performance of our sub-contractors by holding performance review meeting from time to time and monitoring their work in progress by inspection and checking. We also require our sub-contractors to adhere strictly to our in-house rules in relation to work quality, occupational safety and environmental protection.

We may also be held liable to any potential employee compensation claims and personal injuries claims made by the employees of our sub-contractors arising from work injuries. We maintain insurance policies to cover liabilities from such claims. Prior to commencement of the sub-contracting works, we will provide safety training and provide our sub-contractors internal guidelines on safety and environmental issues. We also ensure that our project managers, safety officers and environmental officer will make regular site visits to ensure compliance by our sub-contractors with the safety and environmental requirements and hold regular meeting to report on any issues.

As required under the relevant laws and regulations, the employees of our sub-contractors are required to possess all relevant qualifications or certificates or permits to work at the construction sites. Our sub-contractors are not permitted to commence works unless they have provided to the project management team the relevant certificates or permits of their employees required for carrying out the relevant sub-contracting works. We also require all workers (including those employed by our sub-contractors) entering our sites to gain entry by way of access cards to prohibit recruitment of illegal workers. During the Track Record Period, no illegal workers were reported on the sites of our projects.

During the Track Record Period, we did not experience any material problems (such as substandard quality of works or delay in completion) with any of our sub-contractors and did not receive any material complaints from our customers on the quality of works performed by our sub-contractors.

During the Track Record Period, there were no material claims of injuries arising from sub-contracting activities nor were there any claims from our customers in relation to the quality of the works performed by our sub-contractors.

INTER-RELATIONSHIP BETWEEN OUR CUSTOMERS AND SUB-CONTRACTORS

During the Track Record Period, one of our sub-contractors, New Concepts Foundation Limited (“**New Concepts**”), was also our customer. New Concepts is an Independent Third Party and a wholly-owned subsidiary of New Concepts Holding Limited, which is a company listed on the Stock Exchange. Following the listing of New Concepts Holding Limited on the Stock Exchange, New Concepts has become one of the leading contractors in Hong Kong construction industry. Save for New Concepts, our Directors confirm that there is no other overlapping customer, supplier and/or sub-contractor.

Our business is project-based, we are focusing on design-and-build foundation projects and are experienced in formulating alternative and cost effective foundation designs. New Concepts is a full-service foundation contractor with extensive experience in a wide range of construction projects. Our Directors also confirm that the involvement of New Concepts, as one of our sub-contractors and customers, in the foundation projects awarded to us has been determined following due process and

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due consideration and based on genuine business needs. The business cooperation with New Concepts is in our ordinary course of business. All business terms and conditions on cooperation with New Concepts, as one of the sub-contractors in our approved list of sub-contractors and one of our customers, have been negotiated on an arm's length basis and upon normal commercial terms.

Business cooperation with New Concepts during the Track Record Period

New Concepts was one of our major sub-contractors during the two years ended 31 March 2016 for two targeted foundation projects, namely the Mid-Levels project and the North Point project. The amount of the sub-contracting charges paid by us to New Concepts amounted to HK\$121.5 million and HK\$75.6 million, respectively. New Concepts was our largest and our second-largest sub-contractor during the two years ended 31 March 2016, respectively. Following completion of the Mid-Levels project and the North Point project, New Concepts has not submitted any tenders to us as our sub-contractor, and our Directors believe that it was because of the availability of their resources.

The tender success rate was nil, 100%, nil and nil during the Track Record Period, respectively. We were first appointed as a sub-contractor by New Concepts in the Tuen Mun 1 project due to reasons and benefits disclosed in the section headed "Business — Inter-relationship between our customers and sub-contractors" in this prospectus. Other than the Tuen Mun 1 project and Yau Tong project, there was no tender submitted by us to New Concepts, nor was there any tender invitation issued by New Concepts to us during the years ended 31 March 2015 and 2017.

The percentage of revenue generated from New Concepts to our total revenue decreased from 43.3% for the year ended 31 March 2017 to 28.2% for the five months ended 31 August 2017. Our Directors expect that such percentage will continue to decrease to 13.0% for the year ending 31 March 2018. During the five months ended 31 August 2017, we have not submitted any tender to New Concepts acting for its sub-contractors in foundation projects.

During the Track Record Period, New Concepts is the Company's customer in the Tuen Mun 1 project and the Yau Tong project. The gross profits of the Tuen Mun 1 project and the Yau Tong project are HK\$29.5 million and HK\$1.7 million, respectively.

New Concepts acted as the Company's sub-contractor in the Mid-Levels project and the North Point project. The gross profit of the Mid-Levels project and the North Point project are HK\$17.4 million and HK\$54.4 million, respectively.

During the two years ended 31 March 2017, New Concepts contacted us for sub-contracting part of the foundation works of the foundation projects. As a result, following the award of the Tuen Mun 1 project in August 2015 (a targeted foundation project with contract sum of HK\$167.0 million) and Yau Tong project (with contract sum of HK\$5.1 million), New Concepts became our third largest and our largest customer during the two years ended 31 March 2017 and our largest customer for the five months ended 31 August 2017 and revenue generated from these two projects during the two years ended 31 March 2017 and five months ended 31 August 2017 amounted to HK\$16.2 million, HK\$114.2

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million and HK\$34.6 million, respectively. The following table sets forth an analysis of the gross profit margin of Tuen Mun 1 project and the design-and-build targeted foundation projects (excluding Tuen Mun 1 project) during the Track Record Period, respectively:

	<u>Gross profit margin</u>
Tuen Mun 1 project	18.4%
Design-and-build targeted foundation projects (excluding Tuen Mun 1 project)	(average) 17.0%

As disclosed in the paragraphs under “Our competitive strengths” above, our Directors consider that we have strong capability to develop alternative and cost-efficient foundation design proposals. Given the nature of Tuen Mun 1 project which requires the construction of piling walls and substantial re-design of the foundation methodology, we were given the opportunity to revamp the original design and as a result, a significant part of the construction cost was saved.

In addition, the Tuen Mun 1 project was the first design-and-build targeted foundation project that we undertook bored piling work using our Group’s own machinery. This saved the relevant sub-contracting costs that would otherwise be incurred by us.

In light of the above two factors, the gross profit margin attributable to Tuen Mun 1 project was slightly higher than the average gross profit margin of the design-and-build targeted foundation projects.

Settlement method with New Concepts

When New Concepts was one of our customers, New Concepts was granted 14 days’ credit period upon the receipt of the corresponding payment from the project owner or developer. When New Concepts was one of our sub-contractors, the payment term was 30 days from the date of submission of the payment application by New Concepts. Our Directors confirm that these payment terms are generally consistent with the payment terms of the other sub-contractors of our Group. Further information on the settlement method is set forth in the paragraphs under “Customers — Credit policy” and “Suppliers — Payment terms with our suppliers” above.

Reasons for New Concepts being one of the sub-contractors in the Mid-Levels project and the North Point project

We were the sub-contractor of Willey Construction in the Mid-Levels project and the North Point project, and both projects were design-and-build foundation projects. Given the scale of these two foundation projects and that they were awarded to us in June and July 2013, respectively, we had devoted most of our resources in formulating the foundation designs and coordinating the implementation of the construction works, which include ELS, socket H-piling, pile cap construction and basement construction, for these two projects. In order to reduce the strain on our resources and capacity which may result in adverse impact on our business, we adopted less competitive pricing in our tender submissions subsequent to the award of these two projects and, as such, we were not

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awarded of any targeted foundation projects for 19 months subsequent to the award of the Mid-Levels project and the North Point project. Moreover, we sub-contracted most of the construction works to specialised sub-contractors to our satisfaction so that we could focus on foundation designs and project coordination.

As set forth in the paragraphs under “Sub-contractors — Sub-contracting process” above, we had implemented a formal process of requesting the specialised sub-contractors to submit letters of indication of interest to participate in the two projects. In this connection, we had received letters of indication of interest from specialised sub-contractors (including sub-contracting businesses listed on the Stock Exchange). We selected New Concepts based on various factors, including the proposed contract price, scale of operations, the availability of machinery and crews and the general reputation in the industry.

Reasons for New Concepts being our customer in the Tuen Mun 1 project and the Yau Tong Project

New Concepts was one of the approved main contractors of the property developer of the Tuen Mun 1 project. Completion of the Mid-Levels project and the North Point project has demonstrated that we have the technical know-how, capability and experience in formulating complicated foundation designs. As a result, New Concepts contacted us in relation to the Tuen Mun 1 project and preliminarily discussed with us on the technical difficulties involved in the construction site and the related foundation works. We considered that it would be a mutually beneficial arrangement between New Concepts and us in securing the Tuen Mun 1 project with reasonable return. Following commercial negotiations with New Concepts, we started working with New Concepts and the property developer of the Tuen Mun 1 project on the initial foundation designs and the detailed implementation schedules. New Concepts and us mutually agreed that: (1) New Concepts would only retain the overall site management role in the Tuen Mun 1 project and (2) we would be appointed as the sub-contractor for the rest of the foundation designs and the construction works. At that time, we had just purchased the required machinery for conducting bored pile works and we could undertake the foundation designs and bored piling works in the Tuen Mun 1 project. We sub-contracted other construction works to specialised sub-contractors which are Independent Third Parties.

For Yau Tong project, New Concepts was also one of the approved main contractors of the relevant property developer. We provided bored piling services in the capacity as sub-contractor of New Concepts in the foundation project.

Our business relationship with New Concepts is in line with the industry practice

Our Directors confirm, with the support of the views of Ipsos, that the business relationship between New Concepts and us are generally consistent with the industry practice.

According to Ipsos, main contractors may out-source construction works to sub-contractors depending on the available capacity, equipment availability, and expertise required by the foundation projects. For example, a main contractor may consider outsourcing construction work to subcontractors due to a number of reasons. There may be specialised or more equipment, machinery, and operators required for the construction project outside of the main contractor’s own resources that would be considered for subcontracted works to meet the construction project requirement. In the

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construction industry, it is also not uncommon for main contractors to also receive project work in the role as the subcontractor for construction projects received by other main contractors should they have the capacity, resources, equipment, and expertise required by the project. As a result, it is not uncommon in the construction industry that a contractor can be another contractor's subcontractor or customers on different construction projects, depending on available capacity, capability, cost and expertise required by the project.

MACHINERY

Our foundation projects require the use of specialised machinery. We have invested in a substantial amount in purchasing a broad range of machinery, most of which are manufactured in Germany. We believe that our investment in machinery enables us to compete for the targeted foundation projects.

During the Track Record Period, we purchased new machinery in the amount of nil, HK\$72.9 million, HK\$62.3 million and HK\$0.2 million, respectively. As of 31 August 2017, the aggregate net book value our machinery amounted to HK\$114.8 million.

We set forth below our principal machinery for our business as of 31 August 2017:

Crawler crane

Crawler crane is mounted on an under-carriage with a set of tracks and is used for grabbling, chiselling and lifting during bored piling operations.



Reverse circulation drill

Reverse circulation drill is used to drill through the hard material to establish rock socket in bedrock layer during piling operation.



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Temporary casing oscillator

Temporary casing oscillator is used with the crawler crane to jack down steel casing into ground for protection during soil excavation during piling operation.



Air compressor

Air compressor is used in conjunction with the reverse circulation drill to remove the excavated material by air lifting method from the pile shaft during the rock drilling process.



The following table sets forth further information on our major machinery:

<u>Machinery</u>	<u>Number of units</u>	<u>Country of origin</u>	<u>Average remaining useful life (number of years)</u>	<u>Net book value as of 31 August 2017</u>
				(HK\$ million)
Crawler cranes	4	Germany	8.6	33.2
Reverse circulation drills.....	3	Germany	8.2	17.4
Temporary casing oscillators	4	Germany	8.7	13.0
Air compressors	3	PRC	8.4	1.8

During the Track Record Period, as part of our business strategies, we have started undertaking foundation projects in the role of main contractor. We plan to continue undertaking targeted foundation projects as the main contractor. We believe that through purchase of additional machinery, we can enhance our technical capability and allow greater flexibility and efficiency in the deployment of our resources. Investments in machinery allow us to secure foundation projects of larger scale with greater technical complexity and sophisticated engineering designs. For certain foundation projects, developers and projects owners will only invite foundation contractors with self-owned machineries as a tendering pre-requisite. In order to secure targeted foundation projects, we have expanded our capacity through purchase of new machinery. We will also continue to acquire new machinery in the future in order to enhance our capacity and implementation capability. We believe that purchase of machinery will reduce the cost of machinery leasing and reduce our reliance on external parties for leasing of machinery. We will deploy part of the net proceeds from the Share Offer for the purchase of machinery. Further information is set forth in the section headed “Reasons for the Listing, Future Plans and Proposed Use of Net Proceeds from the Share Offer” in this prospectus.

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We would only lease our machinery to third parties when the machinery is not being used by us in our foundation projects. However, we do not actively seek opportunities to lease our machinery. During the Track Record Period, we derived income from leasing of machinery to third parties of HK\$3.9 million, HK\$0.3 million, HK\$0.6 million and HK\$0.1 million, respectively.

For better allocation of our resources, we may apply an import license for our construction machinery to Macau for the Macau project. Further information of the import of construction machinery is set forth in the section headed “Applicable Laws and Regulations — Laws and regulations in relation to the import of construction machinery” in this prospectus.

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

The Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation came into effect on 1 June 2015 to introduce regulatory control on the emissions of non-road mobile machinery, including regulated machines such as crawler cranes, excavators and air compressors. For further details of the non-road mobile machinery requirements, please see the paragraph headed “Applicable Laws and Regulations — C. Laws and regulations in relation to environmental protection — Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong)” in this prospectus.

As of the Latest Practicable Date, our Group has 10 regulated machines and out of which two machines were exempted and the remaining eight machines were approved respectively with a proper label in a prescribed format issued by the Hong Kong Environmental Protection Department under the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. The following table sets forth further information on the approved and exempted non-road mobile machineries owned by us as of 31 August 2017::

<u>Machinery</u>	<u>Number of Approved machine</u>	<u>Number of Exempted machine</u>	<u>Net book value as of 31 August 2017</u>
			HK\$ million
Reverse circulation drills	3		17.4
Air compressors	3		1.8
Generators	2	1	1.1
Power Pack		1	1.2

Pursuant to the Technical Circular (Works) No. 1/2015 issued by the Works Branch of the Development Bureau in February 2015, the Works Branch of the Development Bureau sets forth an implementation plan to progressively phase out the use of four types of exempted non-road mobile machinery in new capital works contracts of public works with an estimated contract sum exceeding HK\$200 million and tenders invited on or after 1 June 2015. As we only served private sector customers during the Track Record Period, none of the private projects in which we participated as of the Latest Practicable Date is subject to the above phase out plan.

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However, as we plan to expand into the Hong Kong public sector in the near future, we note that all of the two exempted machines, including one set of the generator and the power pack, will be phased out. Our Directors consider that we will continue to be able to participate in or tender for public contract with an estimated contract value exceeding HK\$200 million by leasing sufficient approved non-road mobile machineries and factoring such additional costs into our tender applications. Thus, our Directors are of the view that the implementation of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation and the exempted non-road mobile machinery phase out plan as detailed in the Technical Circular has no significant impact or adverse effect on our Group's operation and financial results. Our Directors do not consider that the implementation of this regulation has any adverse impact on our business.

Repairs and maintenance and replacement

The weighted average remaining useful life of our machinery based on accounting estimation is ten years. We do not have a specific schedule for replacement of our machinery and we will only replace the machinery when necessary. For mal-functioning machinery that requires major examination, we will send such machinery for repairs if the machinery is still under warranty or we may send such machinery send to other third-party repairers if the warranty period has expired. Machinery not in use is generally kept at our depot in Fanling, New Territories. We usually maintain machinery insurance policy for machinery that are under finance leases for loss or damage.

Financing arrangements for the purchase of machinery

During the Track Record Period, our purchase of machinery was generally funded by finance lease arrangements with financial institutions or our internal resources. During the Track Record Period, we entered into finance lease agreements with financial institutions with terms ranging from three to five years for leasing of 11 units of machinery including crawler cranes, casing oscillators and reverse circulation drills. According to such finance lease agreements, we are required to pay monthly rent to the financial institutions and are given an option to purchase these machinery at a nominal amount at the end of the term. The finance lease agreements carry floating annual interest rate ranging from HIBOR (Hong Kong Inter-bank Offered Rate) plus 2.75% and 2.75% to 3.5% per annum. Save for disclosure set forth in the section headed "Reasons for the Listing, Future Plans and Proposed Use of Net Proceeds from the Share Offer" in this prospectus, all of the outstanding instalments payable under these finance lease agreements were settled.

During the Track Record Period, we purchased new machinery in the amount of HK\$ nil, HK\$72.9 million, HK\$62.3 million and HK\$0.2 million, respectively. As of 31 March 2017 and 31 August 2017, the aggregate gross amount of our machinery as recorded in our combined balance sheets amounted to HK\$135.2 million and HK\$135.4 million, respectively and the aggregate net book value of such machinery amounted to HK\$120.8 million and HK\$114.8 million, respectively.

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Service capacity

Due to the unique nature of foundation business and operations, it is not practicable to quantify and disclose detailed utilisation rate of our machinery for the reasons below:

- the utilisation rate of individual machinery cannot be clearly quantified. A typical foundation project requires the use of different machinery at different stages, and machinery from time to time are left unused in construction sites pending completion of other stages of construction. Machinery are also sometimes left unused for repairs, assembling or disassembling in sites. For these reasons, our Directors believe that it would be difficult to derive accurate utilisation rate for our machinery; and
- the procedures of the foundation works are complicated and each procedure may require the use of various types of machinery. As such, it would be impractical for us to make a full account of the daily/hourly usage of each individual machinery and to measure the actual utilisation rate of our machinery on a daily/hourly basis.

Although we cannot quantify the utilisation rate of our machinery, our Directors and management will monitor the overall deployment of our machinery in each of our construction site. We assess the current utilisation and anticipated needs for our different types of machinery and formulate acquisition plan based on the status of our projects on hand, the number of our projects in the pipeline and their specific requirements for machinery, and our assessment on the availability and condition of our existing machinery.

Our Directors consider that the principal machinery for our operations are being deployed and utilised for our foundation projects for most of the time. Having taken into account the above factors and in order to cope with our business strategies to compete for targeted foundation projects, we intend to apply part of the net proceeds from the Share Offer to acquire new machinery to expand our capacity and enhance our project implementation capability in the coming years. Further information is set forth in the section headed “Reasons for the Listing, Future Plans and Proposed Use of Net Proceeds from the Share Offer” in this prospectus.

QUALITY CONTROL

Quality control on projects

We have maintained a quality management system which follows the ISO 9001 standards in order to execute the quality control policy of our Group.

Our quality management system is part of our project quality plans which specify the steps to be carried out and complied with throughout the execution of our foundation projects from the pre-construction stage to maintenance stage. To ensure that our works meet the required standard, we normally assign one foreman on a full time basis at each of the construction sites to monitor the

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quality of foundation works done by our own staff and, as the case may be, our sub-contractors. Our project managers visit the construction sites from time to time and monitor the work quality, the progress of construction work and ensure that the works are duly completed according to the implementation schedules.

Furthermore, our project management teams have regular meetings with our executive Directors who closely monitor the progress of each foundation project and any issue identified to ensure that the foundation works are being carried out in a way that satisfy our customers' requirements and can be completed within the time stipulated in the contract and are in full compliance with all relevant codes and regulations applicable to the construction works.

Quality control on materials

For sampling and testing of materials, such as steel and concrete, that are to be used in our foundation projects, we will engage third parties with HOKLAS (Hong Kong Laboratory Accreditation Scheme) to perform sample testing. We will submit the testing results to our customers.

OCCUPATIONAL HEALTH AND SAFETY

Occupational health and safety measures

We are committed to provide a safe and healthy working environment for the benefit of our employees and sub-contractors. We were awarded OHSAS 18001:2007 certificate in 2015 as a recognition of the policies and procedures undertaken by us on potential health and safety issues. We have also established in-house rules for a safe and healthy working environment by specifying various safety measures. As part of our in-house rules, we highlight the potential danger issues in carrying out foundation and substructure construction works and specify the corresponding measures and requirements for our workers to follow, including, among others:

Potential dangers issues	Control measures
---------------------------------	-------------------------

Lifting work safety

- | | |
|--|---|
| — Falling object caused by failure of lifting gears; | (1) All lifting appliances and lifting gears must be verified with valid RPE (registered professional engineers) test certificates in fulfilling with relevant statutory requirements before using. |
| — Crane collapse caused by failure of lifting appliance; | (2) Regular checks on the lifting appliances and lifting gears will be conducted by competent person (plant operator/rigger) prior to operation. |

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Potential dangers issues

Control measures

- (3) Colour code system for lifting gears used on site is implemented to ensure the validity of lifting gears used on site after regular checks.
- (4) No one is allowed to carry out lifting operation except for qualified riggers, signal-man and competent crane operators who all shall be verified with their qualifications and experience before lifting operation.
- (5) No one is allowed to stay underneath the load during lifting operation.
- (6) Specified safety briefing will be provided for relevant work team prior to operation.
- (7) Task inspection shall be conducted on *ad hoc* basis.

Plant movement

— Accidental crash and collision

- (1) Slide mirrors and CCTV camera are installed for load shifting machinery.
- (2) Anti-collision bars shall be fixed at the rear side of plant where appropriate; 600mm clearance must be kept away from nearby structure.
- (3) Specified safety briefing will be provided for relevant work team here necessary.
- (4) Task inspection shall be conducted on routine basis.

Working at height

— Fall from height

- (1) Safe working platform with guard-rails (top rails 900-1150mm and middle rails 450-600mm) and toe boards (200mm) at all sides and valid FORM 5 filled by competent person should be considered as 1st priority.
- (2) Safety harness should be worn properly and attached to rigid anchorage points (with independent lifeline and fall arrestors where necessary).

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Potential dangers issues

Control measures

- (3) Specified safety briefing will be provided for relevant work team.
- (4) Task inspection shall be conducted on ad hoc basis.

The Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulation (Chapter 59Z of the Laws of Hong Kong) (“**FIUR**”) provides the regulatory requirements of the number of safety officers, safety supervisors in the construction sites and qualifications of the safety officer. The qualifications for registration as a safety officer include the followings:

- holder of a recognised degree or post-graduate diploma in occupational safety and health, or equivalent, and relevant experience of not less than one year; or
- holder of a degree in science or engineering, or equivalent, and a recognised certificate, diploma or higher diploma in occupational safety and health, and relevant experience of not less than 1 year; or
- holder of a recognised certificate, diploma or higher diploma in occupational safety and health, and relevant experience of not less than two years, of which one year must be obtained after the academic qualification; or
- holder of a recognised certificate in construction safety and relevant experience of not less than two years, of which one year must be obtained after the academic qualification.

Under section 14 and the Fourth Schedule of the FIUR, a main contractor or a specialist contractor shall employ one registered safety officer when the total number of persons employed by him in the construction sites is 100 or more.

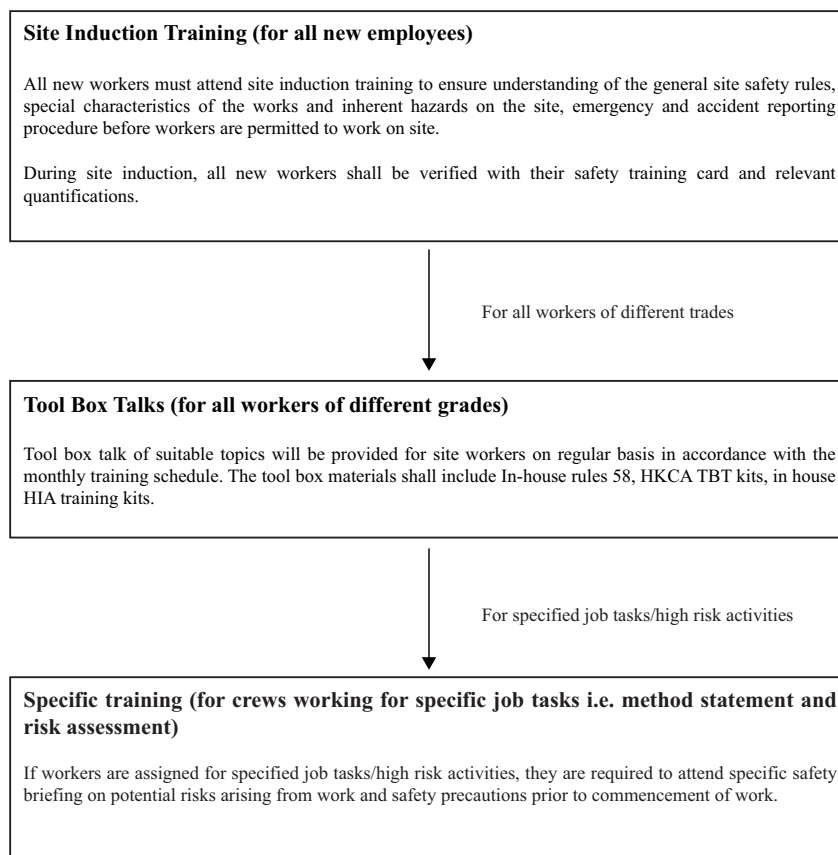
Under section 16 and the Fourth Schedule of the FIUR, a main contractor or a specialist contractor shall employ one safety supervisor in each construction site when the total number of persons employed by it is 20 or more.

As of the Latest Practicable Date, our teams have two registered safety officers who are responsible for overseeing and implementation of our safe management system. Our Directors confirm that we have complied with the regulatory requirements for the number of safety officers and safety supervisors during the Track Record Period.

As for the Macau project, we will work under the main contractor and follow their in-house safety rules.

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The diagram below sets forth the safety training provided in respect of our procedures adopted for work site safety:



In addition, we provide our employees with, and sponsor our employees to attend, occupational safety workshop and training organised by ourselves and by external parties to enhance their awareness of work safety. For instance, some of the courses attended by our employees include:

Training courses	Detail information
Training course for Certified Worker for Confined Space Work under Factories and Industrial Undertakings (Confined Space) Regulation	A course organised by Construction Industry Council Training Academy, Occupational Safety and Health Council or relevant training organisations recognised by Labour Department to provide information on potential risks and necessary safety precautions for confined space works. Upon completion, our employees will be authorised to enter the confined space (manhole).
Safety supervisor training course	A course organised Construction Industry Council Training Academy, Occupational Safety and Health Council or relevant recognised training organisations.

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Training courses

Detail information

Upon completion of the training course, our employees will be qualified as a safety supervisor.

First aid training course A course organised by Hong Kong Red Cross or Hong Kong St John Ambulance. Upon completion of the training course, our employees will be qualified as first aider.

For foundation projects in which we act as sub-contractor, accidents that take place at work sites must be reported to our customers, which is usually the main contractor for the project, in accordance with the procedures mirroring those specified in the main contract between our customer and its own customer.

For foundation projects in which we act as main contractor, we are responsible for preparing the required documents for reporting the claim to the insurance company upon receiving notification of work injury. We liaise with the insurance company throughout the claim procedures until the claim is settled.

During the Track Record Period and up to the Latest Practicable Date, we did not have any industrial accidents in which the amount of compensation is material to our business operations or otherwise cannot be reimbursed from the main contractors or insurance companies.

In the ordinary course of business, our employees and the employees of our sub-contractors may be injured due to accidents. The main contractors are responsible for all the injuries at the sites. The sub-contractors shall report all of the accidents to the respective main contractors.

We maintain an internal record of all our work injuries. During the Track Record Period and up to the Latest Practicable Date, we recorded no work injury while we acted as main contractors. Most of the work injuries were related to the employees of our sub-contractors. The following table sets forth further information on the work injuries of the employees of the Group and our sub-contractors and we reported all of the work injuries to our main contractors during the Track Record Period and up to the Latest Practicable Date:

<u>Date of accident</u>	<u>Further information of the injury</u>	<u>Relationship between the injured and our Group</u>	<u>Updated status</u>
24 June 2014	The wounded person injured his right forefinger while he was operating the drill stem.	Employee of our subcontractor	Fully settled by the insurance of main contractor
17 July 2014	The wounded person injured his left forefinger in the drilling process.	Employee of our subcontractor	Fully settled by the insurance of main contractor

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Date of accident	Further information of the injury	Relationship between the injured and our Group	Updated status
1 November 2014	The wounded person slipped and injured his chest.	Employee of our subcontractor	Fully settled by the insurance of main contractor
24 November 2014	The wounded person fall from height and suffered a rib fracture.	Employee of our subcontractor	Fully settled by the insurance of main contractor
7 March 2015	The wounded person was hit by a dredger and injured his right ankle.	Employee of our subcontractor	Suspend periodical payment as required by the issuer company pending final settlement
9 March 2015	The wounded person was crushed by the reinforcement bars and injured his forearm.	Employee of our subcontractor	Fully settled by the insurance of main contractor
20 April 2015	The wounded person slipped and injured his right thigh while he was walking in the slurry surface.	Employee of our subcontractor	Fully settled by the insurance of main contractor
22 April 2015	The wounded person pinched his right index finger by H-iron.	Employee of our subcontractor	Fully settled by the insurance of main contractor
7 July 2015	The wounded person pinched his right index finger by the reinforcement bar.	Employee of our subcontractor	Fully settled by the insurance of main contractor
16 March 2016	The wounded person injured his middle toe while performing concrete breaking work.	Employee of our subcontractor	Pending: to be fully settled by the insurance of main contractor
29 July 2016	The wounded person was hit by reinforcement bar and injured his right leg.	Employee of our subcontractor	Fully settled by the insurance of main contractor
31 May 2017	The wounded person twisted and sprain his right ankle while walking into site entrance.	Employee of our subcontractor	Pending: to be fully settled by the insurance of main contractor
10 June 2017	The wounded person pinched his left index finger by the chain sling.	Employee of our subcontractor	Pending: to be fully settled by the insurance of main contractor
10 October 2017	The wounded person injured his left thumb while carrying out steel bending work.	Employee of our subcontractor	Pending: to be fully settled by the insurance of main contractor
1 November 2017	The wounded person twisted and sprain her left ankle while walking in the site.	Employee of our Group	Pending: to be fully settled by the insurance of main contractor

So far as our Directors are aware, all of the injuries during the Track Record Period and up to the Latest Practicable Date had been reported by our main contractors to the Commissioner for Labour Department. No court action has been taken against any number of our Group in relation to these works injuries during the Track Record Period and up to the Latest Practicable Date.

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The following table sets forth 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:

	Construction industry average rate ⁽¹⁾	Our rate ⁽²⁾
For the calendar year of 2014		
Accident rate per 1,000 workers ⁽³⁾	41.9	23.5
For the calendar year of 2015		
Accident rate per 1,000 workers ⁽³⁾	39.1	30.8
For the calendar year of 2016		
Accident rate per 1,000 workers ⁽³⁾	34.5	14.4
From 1 January 2017 to 31 August 2017		
Accident rate per 1,000 workers ⁽³⁾	Not yet available	17.3

Notes:

- (1) The accident rate in the construction industry for the three years ended 31 December 2016 is based on the Occupational Safety and Health Statistics Bulletin Issue No. 15, No. 16 and No. 17 issued by the Occupational Safety and Health Branch, Labour Department of Hong Kong in August 2015, August 2016 and August 2017, respectively, which represents the accident rate per 1,000 workers of the construction industry in Hong Kong in respectively year.
- (2) Our accident rate is calculated as to the number of accidents during the year divided by the estimated number of our site workers (both in-house workers and subcontractors) during the year, and then multiplied by 1,000. Such estimated number of our site workers during the year is based on estimation on monthly site workers deployed by our Group. Based on the above analysis, our accident rate is lower than that of the construction industry in 2014, 2015 and 2016.

The following tables set out our Group's lost time LTIFR⁽³⁾:

For the calendar year of 2014	0.78
For the calendar year of 2015	1.03
For the calendar year of 2016	0.48
From 1 January 2017 to 31 August 2017	0.58

- (3) It is calculated by 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/calendar days.

External safety auditor

During the Track Record Period, we had engaged an external safety auditor to carry out safety audit with regards to our safety management system of construction sites to fulfil the requirements under the Factories and Industrial Undertakings (Safety Management) Regulation. Pursuant to the Safety Management Regulation, any contractor in carrying out construction works with a contract value of HK\$100 million or more or having an aggregate of 100 or more workers in a day working in a single or two or more construction sites is obliged to appoint a registered safety auditor to conduct a safety audit to collect, assess and verify information on the efficiency, effectiveness and reliability of its safety management system at least once in every six months. The audited report was submitted to the Labour Department along with the improvement plans such as obtaining the details of the safety

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policy and safety management system from the sub-contractors, requiring the sub-contractors to submit risk assessment reports of high risk activities, setting out rules, term and meeting procedures of the safety committee, all of which were fully implemented by our Group, accordingly.

During the Track Record Period, we did not receive any complaint or request for any kind of compensation from our customers due to any safety issues in relation to works performed by us or by our sub-contractors and our Directors consider that our Group meet the adequate safety standards.

EMPLOYEES

As of the Latest Practicable Date, we had 77 employees. While all of our employees (including executive Directors) are stationed in Hong Kong, we may expand our presence in Macau through our continuous monitoring of the scale of operation thereof. The following table sets forth a breakdown of the number of our employees by functions:

	As of 31 March			As of 31 August 2017	As of the Latest Practicable Date
	2015	2016	2017		
Corporate management	4	4	4	4	4
Administration, accounting and finance	3	4	4	4	4
Project management and implementation (including project managers, professional engineers, foremen, site staff and professional quantity surveyor) . . .	23	25	32	36	35
Plant operators	0	5	9	9	9
Direct workers and crew	6	16	26	26	25
Total	36	54	75	79	77

Relationships with employee

We did not experience any significant problems with our employees or any disruption to our operations due to labour disputes nor did we experience any difficulties in the recruitment and retaining of experienced or skilled staff members during the Track Record Period. Our Directors therefore consider that we have maintained good relationships with our employees.

Recruitment policies

We generally recruit our employees from the open market through placing recruitment advertisement and posting at the Labour Department of Hong Kong.

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

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Training and remuneration policy

We entered into separate labour contracts with each of our employees in accordance with the applicable labour laws of Hong Kong. The remuneration offered to employees generally includes salaries and bonuses. In general, we determine salaries of our employees based on each employee's qualification, position and seniority.

We provide various types of trainings to our employees and sponsor our employees to attend training courses. During the Track Record Period, we incurred HK\$0.3 million, HK\$0.1 million, HK\$0.1 million and HK\$0.1 million training expenses for our employees. Further information is set forth in the paragraphs under "Occupational Health and Safety" above.

ENVIRONMENTAL COMPLIANCE

Environmental compliance measures

We place strong emphasis on environmental protection when undertaking our foundation projects. Our Group was awarded the ISO 14001:2004 (environment management system accreditation). The current ISO 14001:2004 certificate issued to Vicon Construction is valid from until 20 October 2018. The ISO 14001:2004 certificate issued to Vicon Machinery is valid until 12 November 2018. We also endeavour to meet the requirements of certain industry's codes of practice such as the BEAM Plus New Buildings issued by the Hong Kong Green Building Council and the BEAM Society.

During the Track Record Period, we incurred HK\$1.1 million, HK\$1.2 million, HK\$0.7 million and HK\$0.6 million, respectively, in relation to compliance with the applicable environmental rules and regulations. We estimate that our annual cost of compliance in the future will remain at the similar level.

During the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident which had a material impact on the business and financial conditions of our Group.

In the future, we will also comply with the applicable laws and regulations for environmental protection in Macau.

INSURANCE

Pursuant to Section 40 of the Employees' Compensation Ordinance (Chapter 282 of the Law of Hong Kong), all employers (including contractors and sub-contractors working full-time or part-time for us) are required to maintain valid insurance to cover their possible liabilities under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) and at common law for their injuries at work). We have maintained insurance policies in accordance with such requirements.

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Under Section 40(1B) of the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), 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 (where the number of employees in relation to whom the policy is in force exceeds 200) to cover its possible liability as well as the liabilities of its sub-contractor(s) under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) and at common law. Where a main contractor has maintained a policy of insurance under Section 40(1B) of the Employees' Compensation Ordinance, the principal contractor and a sub-contractor insured under the policy shall be regarded as having complied with the relevant requirements of the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong). As such, we are practically covered by the insurance policy taken out by our customer who usually is the main contractor.

In addition, we also maintain contractors' all risk insurance for the foundation projects to cover against loss or damage to (i) materials and incidental expenses relating to the loss or damage such as removal of debris, professional fees necessary to reinstate the contract work; and (ii) third party liability to cover accidental death, bodily injury to or illness of third parties (whether fatal or not), and accidental loss of or damage to property belonging to third parties arising out of the respective construction projects, except for the Tseung Kwan O project in which the contractors' all-risks insurance has been taken out by the developer. Further information is set forth in the section "Applicable Laws and Regulations" in this prospectus. Our Directors believe that, as of the Latest Practicable Date, we had adequate insurance coverage for the operations of our business.

During the Track Record Period, we maintained insurance coverage against, among other matters, (i) liability for third party bodily injury occurred in our office premises; (ii) loss or damage of our machinery; and (iii) third-party liability in relation to the use of our vehicles.

In Macau, the main contractor is responsible for the employee's compensation insurance and contractors' all risks and the third party insurance for the main contractor work which cover the sub-contractor.

Our Directors consider that our insurance coverage is adequate and consistent with industry practice.

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PROPERTIES

As of the Latest Practicable Date, we did not own any property and the following table sets forth the leased properties for our business operations:

Location of properties	Lessors	Actual usage of the properties	Key terms of the lease agreements
31st Floor, Kings Tower, 111 King Lam Street, Cheung Sha Wan, Kowloon	King Fine Development Limited	Office	Monthly rental: \$122,535 Period: 1 August 2016 — 31 July 2018
Lot 79, 1225, 1231 Remaining Portion	順利發展工程公司	Warehouse	Monthly rental: \$50,000 Period: 1 January 2016 — 31 December 2017
Car Parking Space No. 348 on Carpark Level, Dynasty Heights, No. 2 Yin Ping Road, Kowloon	Faith Electronics Technology Limited	Car parking space	Monthly rental: \$5,000 Period: 4 October 2016 — 3 October 2018

The two leased land lots in Fanling are sub-leased from sub-lessors who previously leased such land lots from the relevant landlords. One of such land lots is owned by a t'so (祖堂) which is represented by three managers, all of whom are required to act unanimously in order to bind the t'so (祖堂). However, the head lease in respect of such property was entered into between the sub-lessor and one manager only and it is unlikely that the sub-lessor will be able to procure the other two managers to sign or otherwise confirm the head lease. On the other hand, the other land located in Fanling is owned by a number of registered owners, but the head lease in respect of such land was executed by the sub-lessor with one of the registered owners only. The above defects indicate that the sub-lessors might not have the required authority to enter into the relevant lease agreements with us and it is possible for the landlords to evict us from any of such leased land lots at any time after the Latest Practicable Date.


Nevertheless, we do not consider these two leased land lots in Fanling are crucial to our operation as they are used for storage purposes only and we can easily relocate the stored materials to any replacement properties in Hong Kong without incurring significant time and costs. In our view, there would be no significant difference in the rent that we would have to pay if such leased land lots did not have such defects. We expect that our relocation from these land lots, if requested by the landlords, will not materially interrupt our business as a whole and is not expected to have any material adverse effect on our business and financial position. Regardless, our Controlling Shareholder agreed to indemnify us if any relocation cost arises due to these two leased land lots in Fanling. As of the Latest Practicable Date, we are in search of a suitable parcel of land in the New Territories for relocation.

For our business operations in Macau, we have yet to establish an office due to the fact that we have secured only one bored pile foundation project in Macau. We will use the temporary office at the construction site for the purpose of undertaking the Macau project. We may consider to establish an office in Macau as and when we consider appropriate taking into consideration our business needs and further business development.

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INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we were the registrant of the domain name of www.vicon.com.hk.

We use the trademark of  as our brand which is registered as trademark in Hong Kong. Further information on our registered trademark is set forth in the paragraphs under “Statutory and General Information — B. Further Information about our Business — 2. Intellectual property rights — (a) Trademark” in Appendix IV to this prospectus.

As of 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 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.

RESEARCH AND DEVELOPMENT

Our business does not require us to devote significant amount of resources of research and development. We will keep abreast of the latest development of foundation construction technology so as to complete the foundation projects in the most efficient way. Our research and development is therefore primarily focused on the use of the most suitable technology and know-how for the purpose of completing the awarded foundation projects. Hence, we did not incur any expenditure on research and development during the Track Record Period. We anticipate that no substantial amount of research and development expenses will be incurred by us following the Listing.

LITIGATION AND CLAIMS

During the Track Record Period and up to the Latest Practicable Date, no member of our Group was named as defendant in any legal proceedings arising from our engagement as the main contractor or sub-contractor of foundation projects which is material to our business and financial conditions or operating results. Nor were we subject to any claim under the applicable laws and regulations or any contract or common law cause of action in relation to the construction works carried out by us for the foundation projects secured by us.

NON-COMPLIANCE

Our Directors confirm that during the Track Record Period, there was no non-compliance incident which had a material impact on the business and financial conditions or operating results of our Group.

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MARKET COMPETITION AND ENTRY BARRIERS IN HONG KONG

Competitive landscape of foundation contracting industry

Information on the foundation contracting industry in Hong Kong is set forth in the section headed “Industry Overview — Market overview of the foundation contracting industry in Hong Kong” in this prospectus. According to the Ipsos Report, there was a significant growth in the revenue of the foundation contracting industry in Hong Kong from HK\$13.0 billion to HK\$20.3 billion from 2011 to 2016 at a CAGR of 9.3%. From 2017 to 2020, the revenue of the industry is expected to grow from HK\$21.9 billion to HK\$24.0 billion at a CAGR of 3.1%. Although the industry is expected to enjoy a steady growth, it will also be increasingly competitive. Factors such as industry reputation and track record, business relationships with leading players in the industry, implementation capability and pricing affect the competitiveness. Further information on these factors is set forth in the section headed “Industry Overview — Factors of competition” in this prospectus. Our Directors believe that we will enhance our competitiveness following the Listing because of our competitive strengths, as set forth in the paragraphs under “Our competitive strengths” above.

Entry barriers in the foundation and substructure construction industry

The foundation contractor market has its entry barriers, and in-depth technical knowledge and experience of the senior management team are one of the principal entry barriers. The industry also requires significant amount of capital particularly for the role of main contractor of foundation projects in Hong Kong private sector. Contractors in Hong Kong public sector also need to satisfy the asset, track record and personnel requirements under the applicable laws and regulations. In light of all these, our Directors consider that there are certain entry barriers for new business participating in the industry.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal control systems

For the purpose of the Listing, we have established internal control systems covering the principal operational aspects and key business decision making process. These aspects include sourcing and selection of foundation projects, approval and preparation of documents, revenue estimation and project management, control of fixed assets, human resources management, segregation of duties and corporate approval and authorisation systems. We have also engaged an accounting firm as our independent internal control adviser to perform an evaluation of the design and operating effectiveness of our Group’s internal control system in certain areas.

The implementation of our internal control systems is under the overall supervision of our Board with dedicated responsibilities to financial controller and the chief executive officer in relation to the financial control systems and project management systems, respectively. Specific areas such as human resources and information technology are also undertaken by dedicated teams under the overall supervision of our Board. Further information on our risk management is set forth below. We have also established effective corporate governance measures to safeguard our Shareholders’ interest, further information on which is set forth in the paragraphs under “Corporate governance” below.

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Our Directors confirm that, with the view to strengthen our internal control procedures for the purpose of the Listing originally planned in 2016, we engaged an independent internal control adviser (the “**Internal Control Adviser**”) to perform a review over selected areas of the internal controls over financial reporting (the “**Initial Internal Control Review**”). The selected areas of the Initial Internal Control Review included: (i) entity level controls; (ii) revenue and receivables; (iii) purchases, procurements and payables; (iv) construction projects; (v) property, plant and equipment; (vi) cash and treasury management; (vii) human resources and payroll; (viii) financial reporting and disclosure controls; (ix) taxes; and (x) information technology general controls. Such review scope was agreed between us, the Sole Sponsor and the Internal Control Adviser.

Subsequent to the above engagement, because of the delay in the Listing, we agreed to extend the Initial Internal Control Review to cover a revised period from 1 April 2016 to 31 March 2017 (the “**Addendum Engagement**”, together with the Initial Internal Control Review, collectively as the “**Internal Control Reviews**”). As such, further follow up review was performed in April and May 2017.

The more notable findings raised in the Internal Control Reviews included the following: (i) a formalised regulatory compliance mechanism should be established; (ii) formal policies and procedures regarding risk management, assessment and on-going monitoring should be established; (iii) an anti-fraud framework, whistle-blower programme, other relevant policies and procedures as well as misconduct detective measures should be established; and (iv) a control mechanism for the identification, monitoring and reporting of related and connected parties should be established. The Directors confirm that these findings have been addressed adequately.

The Internal Control Adviser conducted a follow-up review (the “**Follow-up Review**”) from 24 April 2017 to 5 May 2017, to review the status of the remedial actions by us to address the findings of the Internal Control Review. The Internal Control Adviser did not have any further recommendation in the Follow-up Review.

The Internal Control Review and the Follow-up Review were conducted based on information provided by the Group, and no assurance or opinion on internal controls was expressed by the Internal Control Adviser.

Risk management

We are exposed to various operational risks during the course of our business. These risks include (a) regulatory risk in relation to our business; (b) operational risk; (c) credit risk; and (d) market risk relating to changes in industry landscape and the applicable laws and regulations. In this connection, we have established various risk control measures for our Directors and senior management to follow. The following sets forth the key risks for our business and the related control systems:

Regulatory risk management and related control measures

We are exposed to the non-compliance risks with the applicable laws and regulations relating to our business, project identifying and tendering process, employees’ compensation and benefits as well

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as other compliance issues as part of our ordinary course of business. In this connection, we will retain appropriate professional advisers for the purpose. Following the Listing, we may also be exposed to the risk of non-compliance with the Listing Rules. We have assigned designated personnel to be responsible for updating our compliance policies from time to time as a result of any revision or update to the Listing Rules. We will also appoint compliance adviser following the Listing on compliance issues. All Directors will be required to attend regular trainings on updated requirements under the Listing Rules.

Operational risk and related control measures

Our project managers are responsible for day-to-day implementation of our foundation projects. Our project managers are required to assess the relevant operational risks of their respective foundation projects and report to our Board on regular basis. Our project managers are responsible for implementing our internal policies and procedures, and they will visit the project sites from time to time. We have also implemented prevent of fraud and bribery training programmes and whistleblower programmes to ensure that we will be brought to the attention of any mal-practice or irregularities as part of our business operations.

Credit risk and related control measures

We operate in foundation contracting industry in Hong Kong private sector. Our customers are either property developers or main contractors which are relying on property developers. Although we plan to expand into foundation contracting industry in Hong Kong public sector, we may not be able to successfully penetrate into the market in the near future. Hence, we are exposed to credit risk which may cause significant financial loss to us if our customers fail to pay as set forth in the relevant contracts. In order to minimise the credit risk, we have adopted stringent credit policy on payments from our customers. Our Directors are also responsible for approval of any grant of extended credit term to any of our customers.

We have also implemented systems to monitor the performance and progress of each of our foundation projects on a monthly basis. Projection of income and expenses are conducted on a monthly basis for each foundation project. We will also consider the creditworthiness and general reputation of our customers before submitting any indication of interest or tender.

Any overdue balance will be brought to the attention of our executive Directors and project managers, and they will be required to take immediate follow-up actions. As a result of these actions, as of 31 October 2017, we have received 88.5% of our trade receivables as of 31 August 2017. We will continue the stringent credit control policy following the Listing.

Market risk and related control measures

We are exposed to general market risks related to changes in industry landscape as well as the Hong Kong economic performance. The demand for foundation works in private sector is primarily

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driven by the demand for residential properties which is in turned affected by a number of macroeconomic factors, such as property price in Hong Kong, interest rates, land supply policy and other market-related factors. Our executive Directors are responsible for identifying and assessing these market risks and determine the appropriate risk management policies from time to time.

CORPORATE GOVERNANCE

Further information is set forth in the section headed “Relationship with our Controlling Shareholders and our Substantial Shareholders — Corporate governance measures on compliance and enforcement of the Deed of Non-Competition” in this prospectus. We are devoted to achieve the required corporate governance standards following the Listing. In order to comply with the requirements under the Listing Rules, in particular, the code provisions in the Corporate Governance Code, we have adopted the following measures as of the Latest Practicable Date:

- we have established the audit committee, remuneration committee and nomination committee with respective written terms of reference in accordance with the code provisions contained in the Corporate Governance Code;
- our Board has adopted the terms of reference with regard to corporate governance and a communication protocol with our Shareholders in accordance with the code provisions of the Corporate Governance Code;
- we will arrange appropriate insurance cover on our Directors’ liabilities in respect of legal proceedings against our Directors arising out of corporate activities after the Listing;
- our Directors will operate in accordance with the Articles which require the interested Director not to vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her close associates is materially interested;
- pursuant to the Corporate Governance Code, our Directors, including our independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our cost; and
- our Directors will attend professional development seminar including but not limited to the corporate governance to ensure on-going compliance after the Listing.

In light of the above, our Directors believe that we are able to fully comply with the Corporate Governance Code. We will also review our internal policies on corporate governance from time to time and will comply with the relevant disclosure requirements under the Listing Rules.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

BOARD OF DIRECTORS

Our Board consists of seven Directors, comprising four executive Directors and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and for the increase or reduction of our registered capital as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association. We have entered into a service contract with each of our executive Directors. We have also entered into a letter of appointment with each of our independent non-executive Directors.

The table below shows certain information with respect to our Directors:

Members of our Board

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and responsibilities	Relationship with other Directors and senior management
Mr. CHOW, Kwok Chun . . .	40	11 April 2007	13 January 2016	Chairman and executive Director	overall strategic planning and overseeing the general management of our Group	N/A
Mr. TSANG, Hing Kuen	48	1 June 2012	13 January 2016	Chief executive officer and executive Director	overall management of our Group	N/A
Mr. LEUNG, Kim Lim	42	20 August 2013	13 May 2017	Executive Director and project director	management and coordination of projects and budget control	N/A
Mr. LIU, Jin Fai . .	61	1 November 2012	13 May 2017	Executive Director and project manager	overseeing day-to-day construction operations, TCP site supervision and project management	N/A
Mr. IP Ka Ki	38	30 November 2017	30 November 2017	Independent non-executive Director	supervising and providing independent advice to our Board	N/A

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Date of joining our Group	Date of appointment as Director	Position	Roles and responsibilities	Relationship with other Directors and senior management
Professor KUANG Jun Shang	63	30 November 2017	30 November 2017	Independent non-executive Director	supervising and providing independent advice to our Board	N/A
Mr. LAW Wang Chak Waltery	54	30 November 2017	30 November 2017	Independent non-executive Director	supervising and providing independent advice to our Board	N/A

Executive Directors

Mr. CHOW Kwok Chun (鄒國俊), aged 40, was appointed as our Director on 13 January 2016, and re-designated as an executive Director and chairman of our Board on 13 May 2017. He is mainly responsible for our Group's overall strategic planning and overseeing the general management of our Group. Mr. CHOW is also the chairman of the nomination committee of our Board. Mr. CHOW became one of the shareholders of Vicon Construction in April 2007 and has been a director of Vicon Construction since April 2007 and Vicon Machinery since November 2013.

Mr. CHOW obtained a Bachelor of Engineering in Civil Engineering and a Master of Science in Geotechnical Engineering from University of Newcastle Upon Tyne in July 2000 and May 2004 respectively.

Mr. CHOW has accumulated about 15 years of experience in the construction industry. Prior to joining our Group in 2007, he was an assistant to Mr. YEUNG King (the then shareholder of Vicon Construction) and learnt from him on project management and business operation during the period from July 2005 to April 2007. From May 2004 to December 2004, Mr. CHOW was an engineer responsible for project management and site supervision with Ka Shun Civil Engineering Company Limited. From October 2003 to January 2004, Mr. CHOW was a site engineer for a specific project in Tung Chung with Shun Yip Construction Co., Ltd, the principal activities of which was site formation and clearance in building construction. From January 2002 to July 2002, Mr. CHOW was a project coordinator responsible for design, project coordination and site measurements with Pui Hing Construction Company Limited which involved in roads and drainage works in Hong Kong. From August 2000 to January 2002, Mr. CHOW was a site engineer responsible for design, supervision of site works and measurements of works with Ka Shun Civil Engineering Company Limited which provided general contracting services in construction projects.

Mr. TSANG Hing Kuen (曾慶權), aged 48, was appointed as our Director on 13 January 2016, and re-designated as an executive Director and our chief executive officer on 13 May 2017. Mr. TSANG is in charge of the overall management of our Group. Mr. TSANG has accumulated about 24 years of experience in building construction business in Hong Kong. Mr. TSANG joined our Group in June 2012 and has been a director of Vicon Construction since June 2012 and Vicon Machinery since November 2013.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. TSANG obtained a Bachelor of Engineering in Civil Engineering and a Master of Business Administration from the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in October 1992 and from the University of Wollongong, New South Wales, Australia, in August 2005 respectively. Mr. TSANG also obtained a Postgraduate Certificate in Hong Kong Law from City University of Hong Kong in November 2000.

Mr. TSANG has the following professional qualifications:

<u>Qualifications</u>	<u>Year of award</u>	<u>Conferring departments or institutions</u>
Authorised Signatory and Technical Director for Vicon Construction as General Building Contractor	September 2015	Buildings Department
Authorised Signatory and Technical Director for Vicon Construction as Specialist Contractor in the Foundation Works Category	August 2015	Buildings Department
Class 1 Registered Structural Engineer.	July 2001	National Administration Board of Engineering Registration (Structural), the PRC
Registered professional engineer (structural)	March 1997	Hong Kong Engineers Registration Board
Member in civil discipline	September 1997	Hong Kong Institute of Engineers
Member in the structural discipline . . .	April 1996	Hong Kong Institute of Engineers
Member	November 1995	Institute of Structural Engineers in the United Kingdom

Prior to joining our Group, Mr. TSANG was employed by (i) Joseph Chow & Partners Limited, a structural engineering consultancy company, from September 1992 to April 1997 with his last position as engineer, and was responsible for project design and site supervision; (ii) Atkins China Ltd., a company principally engaged in design, engineering and project management consultation, from May 1997 to February 2010 with his last position as principal engineer, where he was the supervision-in-chief for projects and was mainly responsible for project management and design; and (iii) Ka Shun Civil Engineering Company Limited, a company principally engaged in provision of contracting services in construction projects, from August 2010 to March 2012 with his last position as senior technical manager and was mainly responsible for overseeing technical matters and statutory procedures in projects.

Mr. LEUNG Kim Lim (梁劍廉), aged 42, was appointed as our executive Director on 13 May 2017. Mr. LEUNG is mainly responsible for management and coordination of various types of projects and budget control.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. LEUNG obtained a Bachelor of Engineering in Civil and Structural Engineering and a Master of Science in Civil Engineering, both from the Hong Kong University of Science and Technology in November 1997 and November 2000 respectively.

Mr. LEUNG has the following professional qualifications:

Qualification	Year of award	Conferring departments or institutions
Authorised Signatory for Vicon Construction as General Building Contractor	September 2015	Buildings Department
Authorised Signatory for Vicon Construction as Specialist Contractor in the Foundation Works Category . .	August 2015	Buildings Department
Member in civil discipline	March 2006	Hong Kong Institute of Engineers
Registered Professional Engineer in structural discipline	February 2004	Engineer Registration Board
Chartered Engineer	March 2003	Engineers Council in the United Kingdom
Member in structural discipline	March 2003	Hong Kong Institute of Engineers
Chartered Structural Engineer	November 2002	Institute of Structural Engineers in the United Kingdom

Mr. LEUNG has accumulated over 18 years of experience in civil, building and foundation construction works. Mr. LEUNG joined our Group in August 2013 as project manager. Prior to joining our Group, Mr. LEUNG has been employed by (i) WSP Hong Kong Ltd., a company principally engaged in providing engineering consultation services, from September 1997 to October 2002 with his last position as Engineer and was mainly responsible for schematic and detail design for projects and project administration; (ii) Atkins China Ltd., a company principally engaged in design, engineering and project management consultation, from November 2002 to June 2009 with his last position as senior engineer and was mainly responsible for schematic and detailed design for projects and project administration and supervision; and (iii) Architectural Services Department of the Government of the Hong Kong Special Administrative Region, from June 2009 to August 2013 as contract structural engineer and was mainly responsible for provision of structural advices for maintenance and repairs for government premises and supervision of condition survey.

Mr. LIU Jin Fai (廖展飛), aged 61, was appointed as our executive Director on 13 May 2017. He is mainly responsible for the day-to-day construction operations; general management, project management and organisation; planning in-house training programme; and TCP site supervision.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. LIU has accumulated about 28 years of experience in civil, building and foundation construction works. Mr. LIU obtained the Diploma in Civil Engineering, Higher Certificate in Civil Engineering and Endorsement Certificate in Water Supply and Treatment issued by the Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in October 1977, November 1980 and November 1982 respectively. He further his studies and obtained the Bachelor of Engineering from The University of Sheffield, the United Kingdom in July 1992. Mr. LIU has been admitted as member of the Hong Kong Institution of Engineers since September 1997. He has also been a Registered Professional Engineer of Engineers Registration Board since July 2001.

Mr. LIU joined our Group in November 2012. His first position with us was construction manager. Mr. LIU was subsequently promoted to the position of project manager in July 2013. Prior to joining our Group, Mr. LIU has been employed by (i) Ka Shun Civil Engineering Co., Ltd, a company principally engaged in provision of contracting services in construction projects, from October 2010 to October 2012 as project manager and was mainly responsible for the day-to-day construction operations and general management; and (ii) Mott Connell Limited, a company principally engaged in providing consultation services in relation to design, development and construction, from September 1992 to March 2004 with his last position as resident engineer and was mainly responsible for site-supervision and ensuring compliance with the safety and environmental issues. Prior to these years of experience, he worked in various engineering consultants firms and corporations in Hong Kong, namely Mott MacDonald Hong Kong Limited (from September 1988 to September 1990 with his last position as senior draughtsman), T. Y. Ho & Partners (HK) (from December 1985 to September 1988 as senior structural draughtsman), Watson Hawksley Asia, Consulting Engineers (from July 1984 to December 1985 as senior structural draughtsman), Harris & Sutherland (Far East), Consulting Civil and Structural Engineers (from July 1982 to July 1984 as technician draughtsman), Maunsell Consultants Asia Consulting Engineers (from April 1979 to July 1982 as draughtsman) and Freefox Services Limited (from November 1977 to April 1979 as tracer).

Independent non-executive Directors

Mr. IP Ka Ki (葉家麒), aged 38, was appointed as our independent non-executive Director on 30 November 2017. He is mainly responsible for supervising and providing independent advice to the Board.

Mr. IP obtained his Bachelor of Business Administration in Accountancy degree from Lingnan University in November 2003. He has been Member of The Association of Chartered Certified Accountant since 2007 and Associate of The Hong Kong Institute of Chartered Secretaries since 2015.

He has been the assistant financial controller and the company secretary of Imperium Group Global Holdings Limited (HKSE: 0776) (formerly known as JF Household Furnishings Limited) since 2011 and April 2017, respectively. From 2006 to 2011, he worked for Shinewing (HK) CPA Limited, an accountancy company, with his last position as assistant manager and was responsible for providing audit works for listed companies. During the period from August 2016 to November 2016, he was an executive director of Grand Peace Group Holdings Limited (HKSE: 8108).

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Professor KUANG Jun Shang (鄭君尚教授), aged 63, was appointed as our independent non-executive Director on 30 November 2017. He is mainly responsible for supervising and providing independent advice to the Board.

Professor KUANG received his bachelor's degree in structural engineering from The South China University of Technology (formerly known as The South China Institute of Technology) in July 1982. He received his degree of doctor of philosophy from University of Hong Kong and University of Cambridge in December 1989 and October 1992 respectively.

Professor KUANG has been admitted as a Chartered Engineer of the Engineering Council of the United Kingdom in January 1997, a fellow of the Institution of Civil Engineers of the United Kingdom in December 2004, a fellow of the Institution of Structural Engineers of the United Kingdom in June 2006 and a fellow of the Hong Kong Institution of Engineers in November 2009.

Professor KUANG was an assistant professor from July 1992 to June 1997 and an associate professor from July 1997 to June 2009 in the Hong Kong University of Science and Technology. He has been a professor in the Hong Kong University of Science and Technology since July 2009.

Professor KUANG served as a member of the Construction Workers Registration Board of Construction Industry Council from January 2013 to December 2016. He also served as a member of the Building Committee of Hong Kong Housing Authority from April 2013 to March 2017.

Mr. LAW Wang Chak Waltery (羅宏澤), aged 54, was appointed as our Independent non-executive Director on 30 November 2017. He is mainly responsible for supervising and providing independent advice to the Board.

Mr. LAW graduated from University of London with a bachelor's degree in economics in August 1991 and a master's degree in financial economics in December 1995. Mr. LAW became a fellow member of both the Chartered Association of Certified Accountants in the United Kingdom in October 1995 and The Hong Kong Society of Accountants in February 1998. Mr. LAW was registered as a Certified Public Accountant (Practising) with the Hong Kong Institute of Certified Public Accountants in May 2017. Mr. LAW has also been a fellow member of The Institute of Chartered Accountants in England and Wales since July 2017.

Mr. LAW is currently executive partner of Profundas Capital Limited, a company engaged in private equity investment and provision of investment advisory services, where he joined first as director in 2010. Mr. LAW was the chief financial officer and non-executive director of Nine Dragons Paper (Holdings) Limited (HKSE: 2689) from June 2004 to October 2008 and from August 2008 to October 2008 respectively. From 1992 to 2004, Mr. LAW served in various positions such as vice president in finance and chief financial officer in four other listed companies listed in the Main Board. Prior to that, Mr. LAW had worked in the audit division of Coopers & Lybrand, now PricewaterhouseCoopers, from 1987 to 1992.

Mr. LAW has been (i) an independent non-executive director; and (ii) chairman of the audit committee, and a member of both the remuneration committee and the nomination committees of Orient Victory China Holdings Limited (HKSE: 0265) since September 2014 and October 2014,

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

respectively. Mr. LAW has been (i) an independent non-executive director; and (ii) chairman of the audit committee and a member of the remuneration committee of D&G Technology Holding Company Limited (HKSE: 1301) since April 2015 and May 2015, respectively. Since November 2016, Mr. LAW has been a non-executive director of In Technical Productions Holdings Limited (HKSE: 8446). Since November 2017, Mr. LAW has been an independent non-executive director of Solis Holdings Limited (HKSE: 2227).

Other disclosure pursuant to Rule 13.51(2) of the Listing Rules

Save as disclosed above, each of our Directors confirm with respect to him that he (i) did not hold other positions in our Company or members of our Group as of the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or Substantial or Controlling Shareholders as of the Latest Practicable Date; (iii) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; and that there are no other matters concerning our Directors' appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rule 13.51(2) of the Listing Rules. As of the Latest Practicable Date, save as the interests of Mr. CHOW and Mr. TSANG in our Shares which are disclosed in the paragraphs under the heading "Further Information about Substantial Shareholders, Directors and Experts" in Appendix IV to this prospectus, each of our Directors did not have any interest in our Shares within the meaning of Part XV of the SFO.

SENIOR MANAGEMENT

The following table sets forth certain information relating to the senior management members of our Company:

Name	Age	Date of joining our Group	Position	Roles and responsibilities	Relationship with other Directors and senior management
Mr. LEUNG Kim Lim	42	20 August 2013	Executive Director and project director	Management and coordination of projects and budget control	N/A
Mr. LIU Jin Fai . . .	61	1 November 2012	Executive Director and project manager	Overseeing day-to-day construction operations, TCP site supervision and project management	N/A
Mr. CHU Chun Man .	33	13 August 2012	Deputy contract manager	Tender bidding, procurement and post-contract administration of projects	N/A

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Name	Age	Date of joining our Group	Position	Roles and responsibilities	Relationship with other Directors and senior management
Mr. YUEN Chun Wa .	44	18 January 2014	Design manager	Preparing work design for foundation construction, project management and organisation	N/A
Mr. MOK Ka Fai Wilson	45	1 March 2017	Safety manager	monitoring operations in our sites to ensure the sites are safety	N/A

Mr. LEUNG Kim Lim is our executive Director and project director. Please refer to the section headed “Directors, Senior Management and Employees — Board of Directors — Executive Directors” above in this prospectus for his biographical information.

Mr. LIU Jin Fai is our executive Director and project manager. Please refer to the section headed “Directors, Senior Management and Employees — Board of Directors — Executive Directors” above in this prospectus for his biographical information.

Mr. CHU Chun Man (朱俊文), aged 33, is our deputy contract manager who is mainly responsible for tender bidding, procurement and post-contract administration of construction projects. Mr. CHU has over 10 years of experience in construction industry.

Mr. CHU obtained a Bachelor of Science in Construction Economics and Management from The Hong Kong Polytechnic University in December 2006. He has been admitted as a professional member of The Royal Institution of Chartered Surveyors in November 2010, an incorporate member of The Chartered Institute of Building in October 2011, BEAM Professional of Hong Kong Green Building Council in March 2013, a member of The Hong Kong Institute of Surveyors in September 2014, and a Registered Professional Surveyor (Quantity Surveying) by Surveyors Registration Board in January 2016.

Mr. CHU joined our Group in August 2012. His first position with us was senior quantity surveyor and he was subsequently promoted to the position of principal quantity surveyor in April 2013. Prior to joining our Group, Mr. CHU was employed by (i) Davis Langdon & Seah Hong Kong Limited, a company principally engaged in surveying services for private residential, commercial developments in Hong Kong, PRC and Macau, from August 2006 to August 2010 with his last position as senior quantity surveyor and was mainly responsible for preparation of estimates, contract measurements, payment valuations and settling final accounts for private residential, commercial developments in Hong Kong, China and Macau; and (ii) Hsin Chong Construction Co., Ltd, a company listed on the Stock Exchange, (HKSE: 0404) principally engaged in building construction, civil engineering, property development and investment and provision of property, from November 2010 to June 2012 as quantity surveyor and was mainly responsible for post-contract measurements, preparing payment valuations, and settling final accounts for redevelopment project in Hong Kong.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Mr. YUEN Chun Wa (袁俊華), aged 44, is our design manager who is mainly responsible for preparation of temporary work design and alternative design for foundation works; general management, project management and organisation; planning in-house training programme; and TCP site supervision. Mr. YUEN has over 20 years of experience in construction industry.

Mr. YUEN obtained a diploma in civil engineering studies issued by Vocational Training Council and a higher diploma in civil engineering from Hong Kong Technical Colleges in August 1994 and July 1996 respectively. He also obtained a Bachelor of Engineering in Civil and Structural Engineering and a Master of Science in Civil Engineering, both from The Hong Kong Polytechnic University, in November 2002 and December 2006 respectively. Mr. YUEN has been a member of the Institution of Civil Engineers in the United Kingdom since December 2009 and a Chartered Engineer registered with the Engineering Council in the United Kingdom since January 2010.

Mr. YUEN joined our Group in January 2014 as design manager and was responsible for preparation of design for foundation works; general management, project management; and planning in-house training programme. Prior to joining our Group, Mr. YUEN was employed by (i) Hsin Chong Construction Co., Ltd (HKSE: 0404), a company listed on the Stock Exchange principally engaged in building construction, development and investment of property, and facility management services, from July 1996 to November 2001 with his last position as assistant engineer and was mainly responsible for the preparation of temporary work design and site supervision of various projects in private and public sectors; and (ii) Atkins China Ltd., a company principally engaged in design, engineering and project management consultation, from July 2002 to January 2014 with his last position as senior engineer and was mainly responsible for preparation of structural and geotechnical design in private and civil engineering projects; independent checking of structural and geotechnical submission in government major civil projects, site supervision and project management.

Mr. MOK Ka Fai Wilson (莫家輝), aged 45, is our safety manager who is mainly responsible for monitoring the safety & health management system of our company. Mr. MOK has more than 20 years of experience in construction industry.

Mr. MOK was registered as a safety officer with the Labour Department under the Factories and Industrial Undertakings (Safety Officers and Safety Supervisors) Regulations since May 1996. He was admitted as a member of the Institution of Occupational Safety and Health in 2005 and later became a chartered member of the same organisation in 2007. He became a registered Safety Auditor with the Labour Department — Occupational Safety and Health Branch under the Factories and Industrial Undertakings (Safety Management) Regulations in August 2008.

Mr. MOK obtained a Bachelor of Science degree in Construction Project Management from University of Central Lancashire in December 2008 and obtained a Master of Science in Environment and Public Health Management from Hong Kong Baptist University in November 2012. He finished a Construction Safety Officer Course organised by Construction Industry Training Authority in November 1993. He obtained Post-experience Certificate in Advanced Industry Safety in November 1997, Post-experience Certificate in Mechanical Engineering in November 1998, Post-experience Certificates in Quality Management and a Post-experience diploma in Engineering in November 2000, all from The Hong Kong Polytechnic University. He obtained a professional diploma in Crisis Management and Corporate Communication from the Hong Kong Productivity Council and The

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Institute of Crisis and Risk Management in February 2004. In November 2004, he obtained a Continuing Education Diploma in Occupational Safety and Health from City University of Hong Kong. He further obtained a Continuing Education Diploma in China Business (Financial Management) from Hong Kong Baptist University in December 2006.

Prior to joining our Group in March 2017, Mr. MOK had worked as a safety officer responsible for conducting site safety inspection and preparing report, accident investigation, and handling employee compensation claims and reviewing safety and health management system, etc. in various construction companies in Hong Kong, namely, Kumagai Gumi Co., Ltd (from February 1994 to December 1999; and September 2001 to December 2007), Chun Wo Construction and Engineering Co., Ltd (from December 1999 to September 2000) (a subsidiary of Chun Wo Holdings Limited (currently known as Asia Allied Infrastructure Holdings Limited (HKSE: 0711)), Legend Tec International Project Management Co., Ltd (from January 2008 to June 2008) and Stone & Webstar Asia, Inc (from November 2008 to June 2010) and as safety manager Penta-Ocean Construction Co., Ltd (from June 2010 to February 2015 and March 2015 to February 2017) and participated in more than 15 projects.

COMPANY SECRETARY

Mr. LEUNG Cheuk Hei (梁卓禧), aged 32, is our senior accounting and administrative manager and the company secretary of our Company. Mr. LEUNG joined us in April 2016 and is responsible for our financial reporting, financial planning, treasury, financial control and company secretary matters. Prior to joining us, Mr. LEUNG was the company secretary and financial controller of KSL Holdings Limited (HKSE: 8170) from 2014 to 2016. From 2007 to 2014, he was employed by KPMG and his last position was manager.

Mr. LEUNG obtained Bachelor of Economics and Finance degree from The University of Hong Kong in 2007. Mr. LEUNG has been a member of The Hong Kong Institute of Certified Public Accountants since September 2010.

BOARD COMMITTEES

Audit Committee

We have established an audit committee on 30 November 2017 with written terms of reference in compliance with the Listing Rules. The audit committee consists of three independent non-executive Directors, Mr. LAW Wang Chak Waltery (being the chairman of the audit committee who has a professional qualification in accountancy), Mr. IP Ka Ki and Professor KUANG Jun Shang. The primary duties of the audit committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Remuneration Committee

We have established a remuneration committee on 30 November 2017 with written terms of reference in compliance with the Listing Rules. The remuneration committee consists of three members, namely Mr. IP Ka Ki (being the chairman of the remuneration committee), Mr. CHOW Kwok Chun and Professor KUANG Jun Shang. Two of the members are our independent non-executive Director. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to our Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to our Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

During the Track Record Period, our remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of our Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policy after the Listing, subject to the review by and the recommendations of our remuneration committee.

Nomination Committee

We have established a nomination committee on 30 November 2017 with written terms of reference in compliance with the Listing Rules. The nomination committee consists of three members, namely Mr. CHOW Kwok Chun (being the chairman of the nomination committee), Mr. IP Ka Ki and Mr. LAW Wang Chak Waltery. Two of the members are our independent non-executive Directors. The primary function of the nomination committee is to make recommendations to our Board on the appointment of members of our Board.

CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules. Our Company is committed to the view that our Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgment.

DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors, who are also our employees, receive, in their capacity as our employees, compensation in the form of salary and cash bonus.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances, benefits in kind and discretionary bonuses which were paid by our Group to our Directors for the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 was HK\$6,088,000, HK\$6,940,000, HK\$7,568,000 and HK\$2,912,000, respectively.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances, benefits in kind and discretionary bonuses which were paid by our Group to the five highest paid individuals which included two Directors for the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 was HK\$9,675,000, HK\$10,487,000, HK\$11,702,000 and HK\$4,324,000, respectively.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office for the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017. Further, none of our Directors waived any remuneration during the same periods.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances, other allowances and benefits in kind but excluding any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2018 is estimated to be no more than HK\$10,215,000.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 30 November 2017. For details of the Share Option Scheme, please refer to the section headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus.

COMPLIANCE ADVISER

We have appointed Innovax Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

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- (c) where we propose to use the net proceeds of the Share Offer 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
- (d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme), the following persons will have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name of Shareholders	Capacity/Nature of interest	Immediately after completion of the Share Offer and the Capitalisation Issue	
		Number of Shares ⁽¹⁾	Approximate percentage of Shareholding
VGH ⁽²⁾	Beneficial owner	210,000,000(L)	52.5
Mr. CHOW ⁽²⁾	Interest in a controlled corporation	210,000,000(L)	52.5
OGH ⁽³⁾	Beneficial owner	90,000,000(L)	22.5
Mr. TSANG ⁽³⁾	Interest in a controlled corporation	90,000,000(L)	22.5
Ms. HON Yuk Hung ⁽⁴⁾ . . .	Interest of spouse	210,000,000(L)	52.5
Ms. LEE Siu Fong ⁽⁵⁾ . . .	Interest of spouse	90,000,000(L)	22.5

Notes:-

- (1). The letters “L” denotes the respective “long position” (as defined under Part XV of the SFO) of the relevant person/entity in such Shares.
- (2). As of the Latest Practicable Date, VGH was wholly-owned by Mr. CHOW, our executive Director and our chairman.
- (3). As of the Latest Practicable Date, OGH was wholly-owned by Mr. TSANG, our executive Director and our chief executive officer.
- (4). Ms. HON Yuk Hung is the spouse of Mr. CHOW. Ms. HON Yuk Hung is deemed to be interested in all our Shares which are interested by Mr. CHOW by virtue of the SFO.
- (5). Ms. LEE Siu Fong is the spouse of Mr. TSANG. Ms. LEE Siu Fong is deemed to be interested in all our Shares which are interested by Mr. TSANG by virtue of the SFO.

Except as disclosed above, our Directors are not aware of any person who will, immediately following the Share Offer and Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any option that may be granted under the Share Option Scheme), have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, 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.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

OVERVIEW

VGH is a company incorporated in the BVI with limited liability and is wholly-owned by Mr. CHOW. Immediately following completion of the Share Offer and the Capitalisation Issue and taking no account any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option and any option that may be granted under the Share Option Scheme, VGH will hold 52.5% of our Shares in issue. The principal business of VGH is investment holding. Further information on VGH is set forth in the section headed “History, Development and Reorganisation” of this prospectus. Accordingly, Mr. CHOW and VGH are regarded as our Controlling Shareholders.

OGH is a company incorporated in the BVI with limited liability and is wholly-owned by Mr. TSANG. Immediately following completion of the Share Offer and the Capitalisation Issue and taking no account any Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option and any option that may be granted under the Share Option Scheme, OGH will hold 22.5% of our Shares in issue and hence, Mr. Tsang and OGH are regarded as our Substantial Shareholders under the Listing Rules. The principal business of OGH is investment holding. Further information on OGH is set forth in the section headed “History, Development and Reorganisation” of this prospectus.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

Our Directors consider that we will be able to operate independently from our Controlling Shareholders and our Substantial Shareholders and their respective close associates (other than our Group) upon the Listing for the following reasons:

Management independence

Our Company has a board of directors that functions independently from VGH and OGH which are investment holding companies with no business activities.

Our Board comprises four executive Directors and three independent non-executive Directors. 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 close associates, the interested Directors 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. 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 we are capable of managing our business independently from our Controlling Shareholders and our Substantial Shareholders following the completion of the Share Offer and the Capitalisation Issue.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

Operational independence

Our Directors consider that our operations do not depend on our Controlling Shareholders and our Substantial Shareholders for the following reasons:

- (a) there is no competing business between our Group and any of our Controlling Shareholders and our Substantial Shareholders;
- (b) none of our Directors has an interest in any business which competes or is likely to compete, either directly or indirectly, with our business; and
- (c) we have our own independent operation capabilities and independent access to customers and suppliers and the related party transactions that were entered during the Track Record Period would not be continued after Listing.

Our Group, our Controlling Shareholders, our Substantial Shareholders and their respective close associates do not have any common, nor shared, facilities or resources during the Track Record Period and up to the Latest Practicable Date.

On the basis of the matters described in this section, we believe that we are capable of carrying on our business independently of our Controlling Shareholders, our Substantial Shareholders and their respective close associates (other than our Group).

Financial independence

We are financially independent of our Controlling Shareholders, our Substantial Shareholders and their respective close associates. We have sufficient capital and banking facilities to operate our business independently, and have adequate resources to support our daily operations. We historically have had, and will following completion of the Share Offer, continue to have our own financial and accounting systems. Our own accounting department is capable of discharging the treasury functions for cash receipts and payments, accounting, reporting and internal control independently of our Controlling Shareholders, our Substantial Shareholders and their respective close associate.

During the Track Record Period, our Company had provided certain unsecured loans to our Directors, Mr. CHOW and Mr. TSANG. Such loans have been repaid in full before 31 March 2017. Details of the loans provided to our Directors are set forth in Note 23 of the Accountant's Report set forth in Appendix I in this prospectus. Our Directors are of the view that there will be no financial dependence on our Group by the Directors or any of their respective associates.

During the Track Record Period, Mr. CHOW has provided financial assistance in the form of loan to our Group which were all settled in full at the end of the Track Record Period. All loans, advances and balances due to him and his close associates, if any, incurred after the Track Record Period, will be settled in full prior to Listing. During the Track Record Period, Mr. CHOW and Mr. TSANG have

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

provided unlimited personal guarantee and indemnity to secure certain banking facilities granted to our Group. All guarantees provided by our Controlling Shareholders, our Substantial Shareholders and their respective close associates on our Group's borrowing will be fully released and replaced by corporate guarantee to be provided by our Company upon the Listing.

No competition and clear delineation of business

Our Directors, including our Independent Non-executive Directors, confirm that, none of our Controlling Shareholders, our Substantial Shareholders, our Directors or any of their respective close associates have interests in any businesses other than our business which compete, or is likely to compete, either directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Listing Rules.

Our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders, our Substantial Shareholders and their respective close associates (other than our Group) after the Listing.

DEED OF NON-COMPETITION

To better safeguard our Group from any potential competition, each of our Controlling Shareholders, our Substantial Shareholders and executive Directors has entered into the Deed of Non-Competition in favour of our Company (for itself and as trustee for its subsidiaries) pursuant to which each of our Controlling Shareholders, Substantial Shareholders and executive Directors (together, the "Covenantors") has, amongst other matters, irrevocably and unconditionally undertaken with our Company on a joint and several basis that each of the Covenantors shall, and shall procure that their respective close associates (other than members of our Group):-

- (a) not, directly or indirectly, be interested, involved or engaged in or acquire or hold any right or interest (in each case whether as a shareholder, partner, agent or otherwise, and whether for profit, reward or otherwise) in any business which competes or is likely to complete directly or indirectly with the business currently engaged or possibly to be engaged by our Group in the future (including but not limited to the construction business in Hong Kong and any other country or jurisdiction to which our Group provides such services and/or carries on business mentioned above from time to time) (the "**Restricted Activity**");
- (b) not take any direct or indirect action which constitutes an interference with or a disruption to the business activities of our Group including, but not limited to, solicitation of any existing customers, suppliers or employees of our Group;
- (c) not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to their knowledge in the capacity as our Controlling Shareholders, Substantial Shareholders or directors of any members of our Group for the purpose of engaging, investing or participating in any Restricted Activity;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

- (d) if there is any project or new business opportunity that relates to the Restricted Activity (the “**Business Opportunity**”) available to any of the Covenantors or their close associates (other than members of our Group), it/he shall:-
- (i) direct such Business Opportunity to our Group with requisite information to enable our Group to evaluate the merits of the same;
 - (ii) the relevant person who plans to participate or engage in such Business Opportunity shall give our Company a first right of refusal to participate or engage therein and shall not participate or engage in those activities unless with the principal terms thereof disclosed to and prior written consent obtained from our Company;
 - (iii) not pursue such Business Opportunity until our Group has confirmed its rejection to pursue, involve or engage in the same because of commercial reasons. Any of our decisions on which will have to be approved by our independent non-executive Directors (at the exclusion of those with beneficial interests in such Business Opportunity), taking into account the prevailing business and financial resources of our Group, the financial resources required for such Business Opportunity and, where necessary, any expert opinion on the commercial viability of the same; and
 - (iv) on the condition that our Group rejects to pursue such Business Opportunity pursuant to sub-paragraph (d)(iii) above, that the principal terms on which the Covenantors and/or its/his close associates pursues such Business Opportunity shall be substantially the same as or not more favourable than those disclosed to our Company and that the terms of such pursuance, whether directly or indirectly, shall be disclosed to our Company and our Directors as soon as practicable;
- (e) keep our Board informed of any matter of potential conflicts of interests between each of the Covenantors (including its/his close associates) and our Group, in particular a transaction between any of the Covenantors (including its/his close associates) and our Group; and
- (f) provide as soon as practicable upon our Company’s request:-
- (i) a written confirmation on an annual basis in respect of compliance by it/him with the terms of the Deed of Non-Competition;
 - (ii) all information necessary for the review by the independent non-executive Directors for the enforcement of the Deed of Non-Competition; and
 - (iii) their respective consent to the inclusion of such confirmation in our Company’s annual report and all such information as may be reasonably requested by our Company for its review.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

The Deed of Non-Competition is conditional on (i) the Listing Division granting listing of, and permission to deal in, all our Shares in issue and to be issued under the Share Offer; and (ii) the obligations of the Underwriter(s) under the Underwriting Agreements having become unconditional (including, if relevant as a result of the waiver of any condition(s) by the Underwriter(s)) and that the Underwriting Agreements not being terminated in accordance with the terms of the respective agreements or otherwise.

Pursuant to the Deed of Non-Competition, the obligations of the Convenantors will cease on the earliest of the following dates on which:-

- (i) our Controlling Shareholders and their close associates (individually or taken as a whole) ceases to own an aggregate of 30% of the then issued share capital of our Company, directly or indirectly, or cease to be a controlling shareholder of the Company for the purpose of the Listing Rules and do not have power to control our Board; and our Substantial Shareholders and their close associates (individually or taken as a whole) ceases to own an aggregate of 10% of the then issued share capital of our Company, directly or indirectly, or cease to be the substantial shareholders for the purpose of the Listing Rules;
- (ii) our Shares cease to be listed on the Stock Exchange (except for temporary trading halt or suspension of trading of the Shares); or
- (iii) our Company becomes wholly-owned by any of our Controlling Shareholders and/or Substantial Shareholders and/or their respective close associates.

CORPORATE GOVERNANCE MEASURES ON COMPLIANCE AND ENFORCEMENT OF THE DEED OF NON-COMPETITION

In order to properly manage any potential or actual conflict of interests between us on one hand and our Controlling Shareholders, our Substantial Shareholders and executive Directors and their respective close associates on the other hand in relation to compliance and enforcement of the Deed of Non-Competition, we have adopted the following corporate governance measures:-

- (i) our independent non-executive Directors shall review, at least on an annual basis, compliance and enforcement of the terms of the Deed of Non-Competition to be complied with by our Controlling Shareholders, our Substantial Shareholders and executive Directors;
- (ii) we will disclose any decisions on matters reviewed and approved by our independent non-executive Directors relating to compliance and enforcement of the Deed of Non-Competition (including but not limited to the decision as to whether or not to pursue any Business Opportunity referred to under sub-paragraph (d)(iii) of the paragraph headed “Deed of Non-Competition” above in this section) either through our annual report or by way of announcement;
- (iii) we will disclose in the corporate governance report of our annual report on how the terms of the Deed of Non-Competition have been complied with and enforced; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND SUBSTANTIAL SHAREHOLDERS

- (iv) in the event that any of our Directors and/or their respective close associates has material interest in any matter to be deliberated by our Board in relation to compliance and enforcement of the Deed of Non-Competition, he may not vote on the resolutions of the Board approving that matter and shall not be counted towards the quorum for the voting pursuant to the applicable provisions in the Articles of Association.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Controlling Shareholders, our Substantial Shareholders and executive Directors and their respective close associates on one hand and our Group on the other hand, and to protect the interests of our Shareholders, in particular, the minority Shareholders.

SHARE CAPITAL

SHARE CAPITAL

The authorised and issued share capital of our Company is as follows:

Authorised share capital:	<i>HK\$</i>
<u>1,000,000,000</u> Shares of par value HK\$0.01 each	<u>10,000,000</u>

Issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and Share Offer:

Assuming the Over-allotment Option is not exercised, and without taking into account any Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Share Offer will be as follows:

	<i>HK\$</i>
300 Shares in issue as of the date of this prospectus	3
299,999,700 Shares to be issued under the Capitalisation Issue	2,999,997
<u>100,000,000</u> Shares to be issued under the Share Offer	<u>1,000,000</u>
<u>400,000,000</u> Shares in total	<u>4,000,000</u>

Assuming the Over-allotment Option is exercised in full, and without taking into account any Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Capitalisation Issue and the Share Offer will be as follows:

	<i>HK\$</i>
300 Shares in issue as of the date of this prospectus	3
299,999,700 Shares to be issued under the Capitalisation Issue	2,999,997
100,000,000 Shares to be issued under the Share Offer	1,000,000
<u>15,000,000</u> Shares to be issued upon exercise of Over-allotment Option in full . . .	<u>150,000</u>
<u>415,000,000</u> Shares in Total.	<u>4,150,000</u>

RANKING

The Offer Shares and our Shares which may be issued upon the exercise of any option that may be granted under the Share Option Scheme will rank equally in all respects with all other existing Shares in issue or to be issued as set forth in the above table, and will qualify for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this prospectus except for the entitlement under the Capitalisation Issue.

SHARE CAPITAL

CAPITALISATION ISSUE

Pursuant to the written resolutions of our Shareholders passed on 30 November 2017, subject to the conditions set forth therein, our Directors are authorised to allot and issue a total of 299,999,700 Shares credited as fully paid at par to the Shareholders whose name appears on the register of members of our Company at the close of business on 30 November 2017, (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued by fraction of a Share) by way of capitalisation of the sum of HK\$2,999,997 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank equally in all respects with the existing issued Shares.

THE SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set forth in the paragraph headed “Statutory and General Information — D. Share Option Scheme” in Appendix IV to this prospectus.

GENERAL MANDATE

Conditional on the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding any Share which may fall to be issued pursuant to the exercise of the Over-allotment Option); and
- (ii) the aggregate nominal value of share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

The allotment and issue of Shares under a rights issue or pursuant to the exercise of any subscription rights, warrants which may be issued by our Company from time to time, scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, or on the exercise of options granted under the Share Option Scheme do not generally require the approval of Shareholders of our Company in general meeting and the aggregate nominal amount of Shares which our Directors were authorised to allot and issue pursuant to this mandate will not be compromised by the allotment and issue of such Shares.

This mandate will expire:

- (i) at the conclusion of our Company’s next annual general meeting; or
- (ii) upon the expiration of the period within which our Company is required by any applicable law or the Articles to hold its next annual general meeting; or

SHARE CAPITAL

- (iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

whichever occurs first.

Further details of this general mandate are set forth in the paragraph headed “Statutory and General Information — A. Further information about our Company — 3. Written resolutions of all Shareholders passed on 30 November 2017” in Appendix IV to this prospectus.

REPURCHASE OF SHARES

Conditional on the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all of the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue or to be issued immediately following the completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may fall to be issued upon the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the securities of our Company may be listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set forth in the section headed “Statutory and General Information — A. Further Information about Our Company — 6. Repurchase of our Shares by our Company” in Appendix IV to this prospectus.

This mandate will expire:

- (i) at the conclusion of our Company’s next annual general meeting; or
- (ii) upon the expiration of the period within which our Company is required by any applicable law or Articles to hold its next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

whichever occurs first.

Further information on the Repurchase Mandate is set forth in the paragraphs under “Statutory and General Information — A. Further Information about Our Company — 3. Written resolutions of all Shareholders passed on 30 November 2017” in Appendix IV to this prospectus.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary Shares, each of which ranks *pari passu* with the other Shares. The circumstances under which general meetings are required are provided in the Articles. Detailed information on the Articles is set forth in the section headed “Summary of the constitution of our Company and the Cayman Islands Company Law” in Appendix III to this prospectus.

FINANCIAL INFORMATION

The following discussion and analysis should be read in conjunction with the combined financial information together with the accompanying notes in the Accountant's Report set forth in Appendix I to this prospectus. Our financial information and the combined financial statements of our Group have been prepared in accordance with the HKFRS, which may differ in certain material aspects from generally accepted accounting principles in other jurisdictions. You should read the Accountant's Report and not rely merely on the information contained in this section. Unless the context requires otherwise, financial information in this section is described on a combined basis. The discussion and analysis set forth in this section contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analyses made by our Directors in light of our experience and perception of historical trends, current conditions and expected future developments as well as other factors our Directors believe appropriate in the context. Our actual results may differ significantly from those projected. Factors that could cause or contribute to such differences include, without limitation, those discussed in the section headed "Risk Factors" and "Business" and elsewhere in this prospectus. Discrepancies between totals and sums of amounts listed in this section in any table or elsewhere in this prospectus may be due to rounding.

OVERVIEW

We are a specialist foundation contractor and focus on design-and-build foundation projects in Hong Kong private sector. Our foundation projects involve different types of construction works, such as piling construction, ELS works and pile cap construction. Our Directors believe that our competitive strengths in the foundation contracting industry in Hong Kong lie mainly in our experience in completing foundation projects involving complicated foundation and engineering designs. We are also able to develop alternative and cost-efficient foundation design proposals for the design-and-build foundation projects awarded to us.

Vicon Construction is registered with the Buildings Department as a *Registered Specialist Contractor — Foundation Works* and *Registered General Building Contractor*. During the Track Record Period, most of our revenue was generated from the construction works for design-and-build foundation projects.

During the Track Record Period, we have grown from a sub-contractor to a main contractor in undertaking foundation projects. We have completed 12 foundation projects during the Track Record Period, of which three were targeted foundation projects acting as sub-contractor. In February 2016, we first acted as a main contractor in a foundation project. As of the Latest Practicable Date, we were undertaking seven foundation projects as main contractor and 18 foundation projects as sub-contractor.

In September 2017, we were awarded the Macau project in the total contract sum of HK\$52.8 million. The construction work for the Macau project will commence in the first quarter of 2018. No revenue was generated from the Macau project during the Track Record Period. We have 13 foundation projects on hand as of the Latest Practicable Date. The contract sum of these foundation projects amounted to HK\$631.1 million and the estimated amount of revenue expected to be generated from these foundation projects during the seven months ending 31 March 2018 and the year ending 31 March 2019, based on the relevant contractual documents, is HK\$198.0 million and HK\$60.7 million, respectively. We have ten customers for our foundation projects on hand as of the Latest Practicable Date.

FINANCIAL INFORMATION

During the three years ended 31 March 2017, our revenue amounted to HK\$276.8 million, HK\$323.6 million and HK\$263.5 million, respectively, and our profit after tax amounted to HK\$26.0 million, HK\$31.1 million and HK\$30.2 million, respectively. During the five months ended 31 August 2016 and 2017, our revenue amounted to HK\$70.8 million and HK\$122.7 million, and our profit after tax amounted to HK\$6.8 million and HK\$5.8 million, respectively.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, we continue to focus on foundation projects in Hong Kong private sector.

In September 2017, we were awarded the Macau project in the total contract sum of HK\$52.8 million. The construction work of the Macau project will commence in the first quarter of 2018. There was no revenue recognised during the Track Record Period. We have 13 foundation projects on hand as of the Latest Practicable Date. The contract sum of these foundation projects amounted to HK\$631.1 million and the estimated amount of revenue expected to be generated from these foundation projects during the seven months ending 31 March 2018 and the year ending 31 March 2019, based on the relevant contractual documents, is HK\$198.0 million and HK\$60.7 million, respectively. We have ten customers for our foundation projects on hand as of the Latest Practicable Date.

Assuming that the Over-allotment Option is not exercised, the total amount of expenses incurred for the Listing is estimated to be HK\$37.0 million (based on the mid-point of the indicative range of the Offer Price of HK\$1.1), of which HK\$8.1 million, HK\$3.0 million and HK\$4.5 million had been charged to our profit or loss for the two years ended 31 March 2017 and the five months ended 31 August 2017, respectively, and HK\$12.4 million is expected to be charged to our profit or loss for the seven months ending 31 March 2018 and HK\$9.0 million is expected to be accounted for as a deduction from equity upon the Listing. Our Directors consider that our financial results will be affected by such expenses. Accordingly, the financial performance for the year ending 31 March 2018 is expected to be affected by these expenses in relation to the Listing.

Our Directors confirm that, subsequent to 31 August 2017 and as of the date of this prospectus, save as mentioned above, they are not aware of any material incidents or factual circumstances that may affect the estimated amount of revenue to be recognised from the foundation projects on hand during the seven months ending 31 March 2018 and the year ending 31 March 2019 and there has been no material adverse change in our financial or trading position or prospects.

FINANCIAL INFORMATION

PRINCIPAL FACTORS AND TRENDS AFFECTING OUR OPERATING RESULTS AND FINANCIAL CONDITION

Our operating results and financial condition have been and will continue to be affected, directly and indirectly, by a number of factors set forth below. The following factors are not exhaustive and our operating results and financial condition may also be affected by the risk factors set forth in the sections headed “Risk Factors” in this prospectus.

Implementation of our business strategies.

One of our business strategies is to expand our business to undertaking foundation projects in Hong Kong public sector. Such expansion plan requires us to meet a number of pre-requisites which will involve additional operating costs and capital expenditure. Our Directors believe that we have strong capability in foundation design which enables us to improve or modify the original foundation designs proposed by the project owners or property developers. According to Ipsos and the Directors’ experience and industry knowledge, despite such expansion into public sector is overall beneficial to us, this capability may not be generally required in foundation projects in Hong Kong public sector and most of the foundation projects in Hong Kong public sector do not need design-and-build expertise. However, our Directors consider that not only do we have strong capability in executing complicated design-and-build foundation projects, but we are also experienced in executing build-only foundation projects as we had undertaken 18 build-only foundation projects and completed nine of these build-only foundation projects during the Track Record Period and up to the Latest Practicable Date. Our Directors also believe that we have other strengths, further information on which is set forth in the section headed “Business — Our competitive strengths” in this prospectus, which allow us to penetrate into the Hong Kong public sector and undertake such foundation projects efficiently.

As of the Latest Practicable Date, we have yet to secure any foundation project in Hong Kong public sector.

The success of our expansion strategy would benefit our profitability. In the process of increasing our business presence in Hong Kong public sector, we may incur significant capital expenditure, by purchasing the required machinery and recruiting appropriate personnel. Significant amount of working capital will also be required.

We plan to continue a disciplined expansion plan. In any event, we would encounter uncertainties in implementing our business strategies in legal, regulatory, contractual, labour or other related issues. Any of these issues could have significant impact on our operating results.

FINANCIAL INFORMATION

Our performance depends on the Hong Kong market conditions as well as trends in foundation contracting industry.

Our business operations were based in Hong Kong during the Track Record Period and as of the Latest Practicable Date and we will continue to rely on Hong Kong market in the foreseeable future. Given that most of our customers are main contractors and property developers in Hong Kong private sector, our future growth and profitability largely depend on the continued prosperity of the property market as well as the level of construction activities in Hong Kong.

The nature, extent and timing of these construction activities will, however, be determined by a number of inter-related factors, including the Hong Kong Government's policies on the property market in Hong Kong, the land supply, the investment of the leading property developers in Hong Kong, as well as the demand for residential properties. These factors are outside our control and anticipation and affect the availability of foundation projects in private sector as well as public sector in Hong Kong.

In any event, our Directors consider that the foundation contracting industry is and will continue to be project-based, and the demand for our services could reduce if there is downturn in the construction sector and economic downturn.

Our revenue is expected to be generated from foundation projects in which we act as main contractor or in Hong Kong public sector.

Our ability to compete for and secure targeted foundation projects is one of the major contributors to our success and to maintain our profitability. During the Track Record Period, the sourcing process for the foundation projects from most of our revenue was generated is entirely different from the tendering process as main contractor or the foundation projects in Hong Kong public sector. If we are not able to secure new foundation projects as sub-contractor, our business and financial conditions and operating results could be adversely affected even if we plan to focus on targeted foundation projects as main contractor.

We are expanding our business to act as main contractor in foundation projects in Hong Kong private and public sectors. Our competitors are different, so as the criteria and factors that would affect our success rate. If we are not able to secure foundation projects as sub-contractor and main contractor, we may not be able to maintain our profitability. We will also expand to Hong Kong public sector. The tender process for foundation projects in Hong Kong public sector is different from the foundation projects in private sector and in which we do not have any substantive experience. The project tender success rate will become more important for our business and financial conditions and operating results.

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Increase in our principal cost items, i.e. sub-contracting charges, staff costs and cost of materials, parts and consumables, would have significant impact on our operating results.

Our cost structure has undergoing changes during the Track Record Period. We used to incur substantial amount of sub-contracting charges as part of our cost of sales. Following the purchase of machinery, the principal components of our cost of sales have changed and we need to incur significant amount of staff costs for our crews and depreciation for our machinery. During the Track Record Period, our sub-contracting charges accounted for 79.1%, 78.7%, 49.9% and 36.9% of our cost of sales, respectively, whereas our staff costs accounted for 8.8%, 11.3%, 18.2% and 16.8% of our cost of sales, respectively. The cost of materials, parts and consumables also increased significantly during the two years ended 31 March 2017 as a result of the changes in our business strategies to focus on targeted foundation projects with our own crews and machinery.

Our ability to manage and control the cost of sales is crucial as this will enhance our ability to improve our gross profit margin, especially given that the prices of our foundation projects are generally determined by market conditions which may not be entirely within our control.

Accuracy in the estimation of time and costs involved in completing foundation projects.

Our revenue depends on the size and the number of foundation projects secured by us on project basis. In preparing the contract documents, we need to estimate the time and costs involved for the purpose of determining the tender price. In most cases, save for the exceptional circumstances or in the event of variation orders, the price may not be adjusted upward even though our estimation is not correct. The actual amount of time and costs involved in completing a foundation project could be affected by many factors, including adverse weather conditions, industrial accidents, unanticipated site conditions, departure of key staff involved in the foundation project and other unforeseen problems and circumstances.

Any material inaccurate estimation in the time and costs involved in completing a foundation project could adversely affect our overall profitability.

Laws and regulations affecting the foundation contracting industry in Hong Kong private and public sectors.

The foundation contracting industry in Hong Kong private and public sectors is regulated by different laws and regulations, further information on which is set forth in the section headed “Applicable Laws and Regulations” in this prospectus. Any changes in the existing laws and regulations or introduction of new laws or regulations could restrict our ability to conduct our business, increase our operating costs or otherwise result in reduced our competitiveness. In addition, compliance with new laws and regulations may increase our operating costs and in turn, reduce our profitability.

We may not be able to adapt to such changes promptly and any failure to respond to such changes in a timely manner may adversely affect our business.

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BASIS OF PRESENTATION OF OUR FINANCIAL INFORMATION

Immediately prior to and after the Reorganisation, our business was and will continue to be conducted by members of our Group. Pursuant to the Reorganisation, our business has been transferred to and held by our Company. Our Company was not involved in any other business prior to the Reorganisation. On this basis, the Reorganisation is merely a reorganisation of our business with no change in management of our business and the ultimate owners of such business remain unchanged prior to and after the Reorganisation. Accordingly, in accordance with applicable HKFRS, our audited combined statements of comprehensive income and balance sheets are presented using the carrying values of our business for the years presented.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our financial information requires selecting accounting policies and making estimates and judgements that affect the amount reported in the financial statements. These estimates and assumptions are periodically re-evaluated by management and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. We have identified the following accounting policies as critical to an understanding of its financial position and results of operations, because the application of these policies requires significant management estimates, and the reporting of materially different amounts could result if different estimates or assumptions were used. Further information on the accounting policies is set forth in note 2 to the Accountant's Report, the text of which is set forth in Appendix I to this prospectus.

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in our ordinary course of business. We recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met. Revenue is shown after eliminating sales within our Group.

Revenue from foundation projects is recognised based on the stage of completion of the foundation projects.

Foundation projects

When the outcome of a foundation project can be estimated reliably and it is probable that the project will be profitable, the amount of the contract revenue is recognised over the period of the foundation project by reference to the stage of completion. Contract costs are recognised as expenses when incurred. When it is probable that total contract costs will exceed total revenue, the expected loss is recognised as an expense immediately.

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When the outcome of a foundation project contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

We use the “percentage-of-completion method” to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to the proportion of contract cost incurred for work performed to date bear to the estimated total construction costs.

On the combined balance sheets, we report the net contract position for each foundation project as either an asset or a liability. A foundation project represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; and a foundation project represents a liability where the opposite is the case. Contract assets/liabilities, trade and retention receivables/payables are included in current assets/liabilities as we expect to realise these within the normal operating cycle.

Machinery and equipment and depreciation

Machinery and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to us and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in profit or loss during the financial year in which they are incurred.

Depreciation of machinery and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Shorter of remaining useful life and the period of the lease
Furniture and fixtures.....	5 years
Machinery	5 to 10 years
Motor vehicles	5 years
Office equipment.....	3 years
Computer	3 years

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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amounts of the relevant assets, and are recognised in profit or loss.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to profit or loss on a straight-line basis over the period of the lease.

Finance leases

We lease certain machinery and equipment. Leases of machinery and equipment where we have substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The machinery and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Impairment of non-financial assets

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless our Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the combined statements of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the balance sheet date in the countries where we operate and generate taxable income. We periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the combined financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the

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transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by us and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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SELECTED FINANCIAL DATA

Combined statements of comprehensive income

The following table sets forth our combined audited statements of comprehensive income during the Track Record Period (with comparative figures for the five months ended 31 August 2016):

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Revenue	276,752	323,563	263,471	70,754	122,736
Cost of sales	(241,062)	(266,246)	(215,064)	(58,197)	(104,687)
Gross profit	35,690	57,317	48,407	12,557	18,049
Other income and gains, net.....	5,778	1,731	1,110	301	70
Professional fees incurred for initial public offering	—	(8,079)	(3,040)	—	(4,524)
Other administrative expenses	(9,954)	(10,257)	(7,561)	(3,793)	(4,335)
Operating profit	31,514	40,712	38,916	9,065	9,260
Finance income	—	63	122	53	50
Finance costs	(383)	(1,986)	(2,361)	(724)	(1,386)
Finance costs, net	(383)	(1,923)	(2,239)	(671)	(1,336)
Profit before income tax	31,131	38,789	36,677	8,394	7,924
Income tax expense.....	(5,097)	(7,723)	(6,489)	(1,571)	(2,105)
Profit and total comprehensive income for the year attributable to equity holders of our Company	<u>26,034</u>	<u>31,066</u>	<u>30,188</u>	<u>6,823</u>	<u>5,819</u>
Basic and diluted earnings per Share	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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Combined balance sheets

	As of 31 March			As of
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
ASSETS				
Non-current assets				
Machinery and equipment	7,865	75,939	125,775	118,983
Prepayments and deposits	324	250	45	40
Deferred income tax assets	—	—	185	510
	<u>8,189</u>	<u>76,189</u>	<u>126,005</u>	<u>119,533</u>
Current assets				
Trade and retention receivables.....	18,559	24,974	38,324	34,033
Prepayments, deposits and other receivables	1,006	2,850	2,683	2,914
Amounts due from customers for contract work	6,969	30,006	58,710	63,576
Income tax receivable.....	—	—	3,149	—
Amounts due from directors	79,037	16,420	—	—
Restricted bank balances	—	16,800	16,817	16,817
Cash and cash equivalents	28,619	27,634	34,421	25,296
	<u>134,190</u>	<u>118,684</u>	<u>154,104</u>	<u>142,636</u>
Total assets	<u>142,379</u>	<u>194,873</u>	<u>280,109</u>	<u>262,169</u>
EQUITY				
Capital and reserve				
Combined share capital.....	30,000	30,000	30,000	30,000
Retained earnings	41,435	72,501	102,689	108,508
Total equity	<u>71,435</u>	<u>102,501</u>	<u>132,689</u>	<u>138,508</u>

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	As of 31 March			As of 31 August
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
LIABILITIES				
Non-current liabilities				
Borrowings	812	13,965	29,181	23,028
Deferred income tax liabilities.....	595	274	—	—
	1,407	14,239	29,181	23,028
Current liabilities				
Trade and retention payables	17,129	48,302	68,597	47,651
Other payables and accruals	797	7,687	15,913	6,087
Borrowings	26,427	11,214	29,332	42,797
Amounts due to customers for contract work	21,675	4,770	4,397	2,712
Income tax payable.....	3,509	6,160	—	1,386
	69,537	78,133	118,239	100,633
Total liabilities	70,944	92,372	147,420	123,661
Total equity and liabilities	142,379	194,873	280,109	262,169

COMPONENTS OF OUR COMBINED AUDITED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

We are a project based foundation contractor. Our revenue represents the income generated from the foundation projects undertaken by us as part of our ordinary course of business.

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Foundation projects with revenue recognition during the Track Record Period

During the Track Record Period, we undertook 24 foundation projects in Hong Kong private sector. Further information on these foundation projects is set forth below:

No.	Location of the foundation projects	Project duration ⁽¹⁾	Design-and-build/Build-only projects	Agreed type of works involved	Our role as main contractor(M)/sub-contractor(S)	Contract sum HK\$'000	Revenue recognised during the Track Record Period			Five months ended 31 August 2017 HK\$'000
							2015 HK\$'000	Year ended 31 March 2016 HK\$'000	2017 HK\$'000	
(1)	Mid-Levels project	2013-second quarter to 2016-second quarter	Design-and-Build	ELS, pile cap and basement construction	S	133,560	57,662	55,841	3,052	—
(2)	North Point project	2013-third quarter to 2015-third quarter	Design-and-Build	ELS and pile cap construction	S	337,112	210,555	86,427	5,215	1,107
(3)	Yuen Long 1 project	2015-first quarter to 2016-second quarter	Design-and-Build	Foundation, ELS and pile cap construction	S	142,772	257	127,109	15,406	—
(4)	Tuen Mun 1 project	2015-third quarter to 2018-first quarter	Design-and-Build	Foundation, ELS, site formation and pile cap construction	S	166,978	—	11,946	113,270	34,608
(5)	Lantau 1 project	2017-first quarter to 2018-first quarter	Design-and-Build	Foundation, ELS, pile cap construction, demolition and drainage works	S	94,516	—	—	8,440	27,506
(6)	Wanchai 1 project	2017-first quarter to 2018-first quarter	Design-and-Build	Foundation, ELS and pile cap construction	M	40,500	—	—	2,761	13,933
(7)	Lantau 2 project	2014-third quarter to 2015-third quarter	Build-only	Site formation, ELS and foundation works	S	4,883	4,541	342	—	—
(8)	Lantau 3 project	2014-fourth quarter to 2015-third quarter	Build-only	ELS and foundation works	S	5,519	3,737	1,782	—	—
(9)	Ma On Shan project	2015-second quarter to 2015-third quarter	Build-only	Grouting works	S	9,946	—	9,946	—	—
(10)	Sham Shui Po project	2016-first quarter to 2016-second quarter	Build-only	Drainage works	S	865	*	865	—	—
(11)	Tuen Mun 2 project	2015-third quarter to 2017-third quarter	Build-only	ELS and pile cap construction	S	45,566	—	9,821	19,960	15,785

* Value insignificant

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No.	Location of the foundation projects	Project duration ⁽¹⁾	Design-and-build/Build-only projects	Agreed type of works involved	Our role as main contractor(M)/sub-contractor(S)	Revenue recognised during the Track Record Period				
						2015	2016	2017	Year ended 31 March	Five months ended 31 August 2017
						HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(12)	Tuen Mun 3 project	2015-third quarter to 2017-first quarter ⁽²⁾	Build-only	Bored piling	S	—	14,353	7,641	272	—
(13)	Yau Tong project	2015-fourth quarter to 2016-second quarter	Build-only	Bored piling	S	—	4,252	890	—	—
(14)	The Peak project	2016-first quarter to 2017-fourth quarter	Build-only	Foundation, ELS and site formation works	M	38,000	879	17,701	5,561	—
(15)	Southern 1 project	2016-second quarter to 2017-fourth quarter	Build-only	Foundation, ELS, site formation and pile cap construction	S	88,000	—	47,001	13,499	—
(16)	Tuen Mun 4 project	2016-second quarter to 2016-third quarter	Build-only	Ground investigation	M	242	—	242	—	*
(17)	Central 1 project	2016-second quarter to 2017-first quarter	Build-only	Street scape enhancement	S	1,300	—	1,300	—	—
(18)	Central 2 project	2016-second quarter to 2017-second quarter	Build-only	Street scape enhancement	S	2,900	—	2,436	437	—
(19)	Tuen Mun 5 project	2016-third quarter to 2016-fourth quarter	Build-only	Hoarding works and ground investigation	M	1,288	—	1,288	—	—
(20)	Tseung Kwan O project	2016-fourth quarter to 2017-first quarter	Build-only	Formation of vehicular access road works	M	8,027	—	7,440	179	—
(21)	Yuen Long 2 project	2017-first quarter to 2017-third quarter	Build-only	ELS and underground water tank works	S	10,000	—	7,521	1,545	—
(22)	Wanchai 2 project	2017-first quarter to 2017-third quarter	Build-only	Pipe piling and grouting works	S	8,192	—	1,907	2,803	—
(23)	Tuen Mun 6 project	2017-second quarter to 2018-second quarter	Design-and-Build	Foundation, ELS, site demolition and pile cap construction	M	75,000	—	—	5,440	—
(24)	Southern 2 project	2017-second quarter to 2017-second quarter	Build-only	Ground investigation	M	626	—	—	61	—
	Total					<u>276,752</u>	<u>323,563</u>	<u>263,471</u>	<u>122,736</u>	

Notes:

- (1) Project duration refers to the period from the date of commencement of the relevant foundation project to the expected completion date set forth in the relevant initial agreement which may be extended by subsequent construction program.
- (2) We have completed the construction works stipulated in the relevant contract which are subject to the receipt in the practical completion certificate. As such, we consider that this project has been completed.

* Value insignificant

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The following table sets forth an analysis of our revenue by the nature and number of foundation projects undertaken by us during the Track Record Period (with comparative figures for the five months ended 31 August 2016):

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	Number of projects with revenue recognised	Revenue recognised	Number of projects with revenue recognised	Revenue recognised	Number of projects with revenue recognised	Revenue recognised	Number of projects with revenue recognised	Revenue recognised	Number of projects with revenue recognised	Revenue recognised
	HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000	
Design-and-build foundation projects	3	268,474	4	281,323	6	148,144	4	49,634	5	82,594
Build-only foundation projects	3	8,278	8	42,240	12	115,327	8	21,120	10	40,142
Total	<u>6</u>	<u>276,752</u>	<u>12</u>	<u>323,563</u>	<u>18</u>	<u>263,471</u>	<u>12</u>	<u>70,754</u>	<u>15</u>	<u>122,736</u>

(Unaudited)

The following table sets forth an analysis of our revenue by contract value during the Track Record Period (with comparative figures for the five months ended 31 August 2016):

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	Number of projects with revenue recognised	Revenue recognised	Number of projects with revenue recognised	Revenue recognised	Number of projects with revenue recognised	Revenue recognised	Number of projects with revenue recognised	Revenue recognised	Number of projects with revenue recognised	Revenue recognised
	HK\$'000		HK\$'000		HK\$'000		HK\$'000		HK\$'000	
Above HK\$100.0 million (Target Foundation Projects)	3	268,474	4	281,323	4	136,943	4	49,634	2	35,715
Above HK\$50.0 million and below HK\$100.0 million	—	—	—	—	2	55,441	1	4,709	3	46,445
Below HK\$50.0 million	3	8,278	8	42,240	12	71,087	7	16,411	10	40,576
Total	<u>6</u>	<u>276,752</u>	<u>12</u>	<u>323,563</u>	<u>18</u>	<u>263,471</u>	<u>12</u>	<u>70,754</u>	<u>15</u>	<u>122,736</u>

(Unaudited)

Cost of sales

Our cost of sales primarily consists of (a) sub-contracting charges; (b) staff costs; (c) operating lease rental of machinery; (d) depreciation; and (e) materials, parts and consumables. Estimated cost of each foundation project is treated as cost of sales based on the percentage of completion of the relevant foundation projects. Provision is made for foreseeable losses on individual project as soon as they are anticipated by us. Sub-contracting charges represent cost of sales for engaging sub-contractors to carrying out part of our foundation projects when we consider it appropriate or

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necessary taking into account the availability of our labour and machinery resources. Sub-contracting charges include costs of pile cap construction works, H-piling works, predrilling and testing works, bored pile works and others, such as site formation works and reinforcement bar fixing works. Staff costs represent salaries, wages and other benefits and contributions to defined contribution retirement plan provided to direct workers and members of our project team who are directly involved in our foundation construction projects. In addition to our own machinery, we also leased machinery from Independent Third Parties for the purpose of carrying out the works involved in the foundation projects. We therefore incurred lease rental as part of our cost of sales. Costs of materials, parts and consumables include costs of concrete, steel bar, diesel and other metal materials. Other costs of sales include transportation and delivery cost of wastage and other miscellaneous expenses (utilities, electricity and water) for the site offices of our foundation projects. These expenses also included transportation cost of our machinery and the site office containers. We incurred significant amount of these expenses normally at the beginning of our foundation projects.

Our cost of sales during the three years ended 31 March 2017 amounted to HK\$241.1 million, HK\$266.2 million and HK\$215.1 million, respectively. During the five months ended 31 August 2016 and 2017, the cost of sales amounted to HK\$58.2 million and HK\$104.7 million, respectively. The following table sets forth an analysis of our cost of sales during the Track Record Period (with comparative figures for the five months ended 31 August 2016):

	Year ended 31 March						Five months ended 31 August			
	2015		2016		2017		2016		2017	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)									
Sub-contracting charges	190,776	79.1	209,415	78.7	107,315	49.9	21,534	37.0	38,617	36.9
Staff costs	21,131	8.8	30,062	11.3	39,187	18.2	15,639	26.9	17,610	16.8
Operating lease rental of machinery	2,951	1.2	2,396	0.9	42	*	—	—	5	*
Depreciation	505	0.2	3,624	1.4	10,297	4.8	3,828	6.6	6,092	5.8
Materials, parts and consumables	13,451	5.6	14,899	5.6	46,306	21.5	13,126	22.6	34,723	33.2
Operating lease rental in respect of storage premises	—	—	—	—	600	0.3	300	0.5	300	0.3
Others	12,248	5.1	5,850	2.1	11,317	5.2	3,770	6.4	7,340	7.0
Total	241,062	100.0	266,246	100.0	215,064	100.0	58,197	100.0	104,687	100.0

* Value insignificant

During the Track Record Period, we changed our business strategy to secure foundation projects as main contractor. This affected the principal components of the cost of sales. We made substantial amount of purchase of machinery (for bored piling works) since the third quarter of 2015 and more workers were employed for machine operation. Before the year ended 31 March 2016, most foundation works were sub-contracted to sub-contractors, and they provided the materials as part of the cost of the sub-contracting charges charged by them. As a result, the portion of sub-contracting charges to the

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total cost of sales was significant. After the year ended 31 March 2016, with the own fleet of machinery, we sub-contracted less foundation works to sub-contractors and hence, we need to purchase materials. The percentage of the sub-contracting charges to the total cost of sales is smaller and the proportion of materials cost to the total cost of sales was significant.

In light of the above, we incurred less on sub-contracting charges during the year ended 31 March 2017, but the cost of construction materials, parts and consumables and depreciation charge increased during the year.

Sub-contracting charges

All the sub-contractors are Independent Third Parties. The amount of the sub-contracting charges was negotiated on an arm's length basis with reference to the prevailing market rates and the nature and complexity of the sub-contracted works. The amount of sub-contracting charges is generally fixed throughout the relevant foundation project unless there are exceptional circumstances, in which case we will record the new agreement on the increased charges by way of supplemental agreement. The bases in determining the sub-contracting charges vary for different foundation projects and are subject to negotiations between the sub-contractors and us on an arm's length basis. If we provide the construction materials required, the sub-contracting charges will be generally lower than the other cases in which the sub-contractors are required to provide the construction materials and labour on a fixed price basis.

Staff costs

Staff costs are primarily related to the number of our crews and our senior management (including Directors). During the three years ended 31 March 2017, our staff costs, being part of our cost of sales, amounted to HK\$21.1 million, HK\$30.1 million and HK\$39.2 million, respectively. During the five months ended 31 August 2016 and 2017, the staff costs incurred by us amounted to HK\$15.6 million and HK\$17.6 million, respectively. The continuous increases in the staff costs during the Track Record Period were primarily due to the increasing number of our crews employed by us for operation of our newly purchased machinery. The purchase of the machinery has reduced the amount of sub-contracting charges during the year ended 31 March 2017.

Operating lease rental of machinery

The amount of operating lease rental of machinery represents the amount of rental paid and payable by us to Independent Third Parties for leasing of machinery. We reduced our reliance on the lease of machinery because of the purchase of our own machinery.

Depreciation

During the three years ended 31 March 2017, our depreciation amounted to HK\$0.5 million, HK\$3.6 million and HK\$10.3 million, respectively. During the five months ended 31 August 2016 and 2017, the depreciation amounted to HK\$3.8 million and HK\$6.1 million, respectively. The continuous increases in the depreciation were generally consistent with the increase in our purchase of machinery.

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The major machinery include crawler cranes, reverse circulation drills and temporary casing oscillators. As of 31 March 2015, 2016 and 2017 and 31 August 2017, the net book value of our machinery amounted to HK\$nil, HK\$69.0 million, HK\$120.8 million and HK\$114.8 million, respectively.

Materials, parts and consumables

During the three years ended 31 March 2017, the costs of materials, parts and consumables amounted to HK\$13.5 million, HK\$14.9 million and HK\$46.3 million. During the five months ended 31 August 2016 and 2017, the costs of materials, parts and consumables amounted to HK\$13.1 million and HK\$34.7 million, respectively. The continuous increases in the amount of materials, parts and consumables were primarily due to the change in our business strategy and have taken up the purchase of construction materials, parts and consumables for some foundation projects undertaken by us for a better cost control. As a result, the sub-contracting charges decreased because the sub-contractors would not need to purchase the required materials.

As part of our business, we may have uninstalled materials. Our Directors do not consider that our uninstalled materials will have any material impact on our Group's historical financial information and upon the adoption "HKFRS 15 - Revenue from Contracts with Customers" in the future for the following reasons:

Our Directors confirm that the timing and the amount of purchase of construction materials are assessed and determined by our project teams from time to time with reference to the actual construction progress of each foundation project undertaken by us. We will not purchase or commit to purchase all construction materials expected to be used by us at the beginning of each foundation project, and the amount of purchase will only be confirmed by us as and when required taking into consideration the amount of the construction materials expected to be used, the prevailing market prices and the expected time required for delivery of the construction materials to the relevant construction sites.

Our Directors further confirm that we will not maintain any significant amount of construction materials as part of our inventory and do not consider that the amount of uninstalled materials maintained by us from time to time will have any significant impact on our operating results based on the accounting policy adopted by our Group.

Gross profit and gross profit margin

The gross profit represents the difference between the revenue and the cost of sales during a particular year or period. The following table sets forth a summary of our gross profit and gross profit margins during the Track Record Period (with comparative figures for the five months ended 31 August 2016):

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
				(Unaudited)	
Gross profit (HK\$'000) . . .	35,690	57,317	48,407	12,557	18,049
Gross profit margin	12.9%	17.7%	18.4%	17.8%	14.7%

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For foundation projects acting as main contractor, the amount of gross profit was nil, HK\$0.2 million and HK\$4.6 million during the three years ended 31 March 2017, respectively. During the five months ended 31 August 2016 and 2017, the amount of gross profit was HK\$1.1 million and HK\$4.3 million, respectively. Our gross profit margin was nil, 20.0% and 15.5%, respectively, during the three years ended 31 March 2017. During the five months ended 31 August 2016 and 2017, our gross profit margin was 20.0% and 17.0%, respectively. For foundation projects acting as sub-contractor, the amount of gross profit was HK\$35.7 million, HK\$57.1 million and HK\$43.8 million during the three years ended 31 March 2017, respectively. During the five months ended 31 August 2016 and 2017, the amount of gross profit was HK\$11.5 million and HK\$13.8 million, respectively. Our gross profit margin was 12.9%, 17.7% and 18.7%, respectively, during the three years ended 31 March 2017. During the five months ended 31 August 2016 and 2017, our gross profit margin was 17.6% and 14.1%, respectively.

For design and build foundation projects, the amount of gross profit amounted to HK\$32.8 million, HK\$56.0 million and HK\$36.2 million during the three years ended 31 March 2017, respectively. During the five months ended 31 August 2016 and 2017, the amount of gross profit was HK\$10.8 million and HK\$14.8 million, respectively. Our gross profit margin was 12.2%, 19.9% and 24.4%, respectively, during the three years ended 31 March 2017. During the five months ended 31 August 2016 and 2017, our gross profit margin was 21.9% and 17.9%, respectively. For build only foundation projects, the gross profit was HK\$2.9 million, HK\$1.3 million and HK\$12.2 million during the three years ended 31 March 2017, respectively. During the five months ended 31 August 2016 and 2017, the amount of gross profit was HK\$1.7 million and HK\$3.3 million, respectively. Our gross profit margin was 35.4%, 3.1% and 10.6%, respectively, during the three years ended 31 March 2017. During the five months ended 31 August 2016 and 2017, our gross profit margin was 8.1% and 8.2%, respectively. The gross profit margin for build-only foundation projects for the year ended 31 March 2015 was 35.4%, which is higher than those for the two years ended 31 March 2017, primarily attributable to the fact that we mainly provided project management services with no significant involvement in the construction works in most of the build-only foundation projects for the year ended 31 March 2015. As such, our costs incurred in the build-only foundation projects for the year ended 31 March 2015 were relatively low as compared with the costs for the two years ended 31 March 2017, in which we incurred subcontracting costs and material costs, etc.

During the five months ended 31 August 2017, the amount of gross profit increase by 43.7% to HK\$18.0 million, whereas the gross profit margin decreased to 14.7% from 17.8% for the five months ended 31 August 2016. The increase in the amount of gross profit for the five months ended 31 August 2017 was mainly due to the increase in revenue generated from the foundation projects undertaken by us. The decrease in gross profit margin for the five months ended 31 August 2017 was due to the decrease in the revenue contributed by the target foundation projects to HK\$35.7 million, in which we enjoyed relatively high gross project margin. During the year ended 31 March 2017, the amount of gross profit decreased by 15.5% to HK\$48.4 million from HK\$57.3 million during the year ended 31 March 2016, whereas the gross profit margin increased slightly to 18.4% from 17.7% for the year ended 31 March 2016. The decrease in the amount of gross profit for the year ended 31 March 2017 was mainly due to the decrease in amount of revenue recognised by us during the year ended 31 March 2017 as a result of the substantial completion of three targeted foundation projects, namely the

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Mid-Levels project, the North Point project and the Yuen Long 1 project, during the year ended 31 March 2016. The amount of gross profit during the year ended 31 March 2016 of HK\$57.3 million represented a significant increase of 60.6% as compared with the amount of gross profit of HK\$35.7 million for the year ended 31 March 2015. The gross profit margin for the year ended 31 March 2016 of 17.7% also represented a significant improvement from the gross profit margin of 12.9% for the year ended 31 March 2015. The increase in the amount of gross profit as well as the improvement in the gross profit margin for the year ended 31 March 2016 were primarily attributable to revenue recognised from the substantial completion of the three targeted foundation projects mentioned above and the relative high gross profit margin for design and build projects. All of the three completed targeted foundation projects are design-and-build projects.

As set forth in the section headed “Business — Our competitive strengths” in this prospectus, our Directors believe that we have strong capability to develop alternative and cost-efficient foundation design proposals for our customers. This strength was reflected in the high gross profit margins in the three targeted foundation projects which were substantially completed for the year ended 31 March 2016. Through the development of alternative and cost-efficient foundation designs, we can either simplify the construction logistics and construction methods or reduce the number of bore piles or related foundation items in the foundation projects so as to reduce the construction cost and time. The following sets forth further information on the alternative construction logistics or designs implemented by us in the Yuen Long 1 project, Mid-Levels project and North Point project:

Yuen Long 1 project

BKF undertook a retrospective assessment on the construction methodology deployed by us and the merits of the adopted system in relation to the implications on cost and time and the associated risk of the foundation works. Based on the geomorphological study and the assessment model, the foundation works are considered challenging. As such, the proposed foundation type will be dependent on the loading, site constraints such as affected/sensitive structures in the neighbourhood and the experience and knowledge of the contractor. The depth of the bored piles of over 100m is not common. The existence of the karst deposit in the site demands skilled specialist subcontractor for identifying early signs of distress or untoward movements during the construction process. BKF has confirmed that we have developed an alternative foundation design of utilising large diameter bored piles socketed in sound marble in view of the complicated geology at the site. We have also executed our alternative construction design efficiently.

Mid-Levels project

BKF undertook a retrospective assessment on the construction methodology deployed by us and the technical merits with cost and time implications in resolving site issues of harsh access problem and site constraints caused by adjacent buildings and petrol station. The site is located on a steep built-up terrain and surrounded by buildings on all four sides. The roads to the site is also subject to traffic restrictions for heavy trucks which posed limitation in the delivery of plant and machinery and equipment to the site area. BKF has confirmed that we have chosen to revamp the overall construction logistic with alternative scheme by providing a level steel platform for operation of the heavy bore pile oscillator and crawler crane which decked over a majority of the site area. This steel platform also provides a smooth ingress and egress points for the demolition debris and mucking spoils to be

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unloaded for disposal. BKF is also of the view the steel platform served as an operating ground for construction activities. It is also an alternative scheme rather than using the conventional construction methodology. Although there were additional cost and time involved for the construction of the steel platform, the advantages were reflected in the reduced construction time for the foundation works with less disturbances to the neighbours in the prestigious residential area.

North Point project

Beria undertook a retrospective assessment on the cost savings of foundation works between the project engineer's drawings and the contractor's alternative design provided by us. We re-designed the foundation structure and layout by reducing the quantities of bored piles, socketed H-piles, pile caps, tie beams and other related construction materials without affecting the loading capacity. Beria has confirmed that the total cost savings for the major cost saving items in our contractor's alternative design was approximately HK\$81.5 million or 32% of the estimated cost for major items as compared to the original engineer's design.

Other income and gains, net

Other income and gains, net during the Track Record Period primarily included (i) machinery rental income; (ii) consultancy income; and (iii) the gains and losses on disposal of machinery and equipment which are no longer used by us, such as crawler crane and motor vehicle. Such income and gains amounted to HK\$5.8 million, HK\$1.7 million and HK\$1.1 million, respectively, during the three years ended 31 March 2017. During the five months ended 31 August 2016 and 2017, the amount of other income and gains, net, was HK\$301,000 and HK\$70,000 which was consultancy income and rental income of machinery, respectively.

The following sets forth an analysis of other income and gains, net during the Track Record Period (with comparative figures for the five months ended 31 August 2016):

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Machinery rental income	3,933	323	589	—	70
Consultancy income	—	1,786	362	301	—
Gains/(losses) on disposal of					
machinery and equipment	1,756	(378)	146	—	—
Others	89	—	13	—	—
Total	5,778	1,731	1,110	301	70

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Other administrative expenses

Our other administrative expenses consist primarily of staff costs, directors' emoluments, audit fees, depreciation, operating lease rental, professional fees, motor vehicle expense and others. The following table sets forth our administrative expenses by nature during the Track Record Period (with comparative figures for the five months ended 31 August 2016):

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Staff costs	453	760	917	496	416
Auditors' remuneration					
- Audit services	700	700	603	263	292
Depreciation	2,846	2,263	2,471	1,261	864
Operating lease rental in respect of					
- Office and storage premises	2,110	1,806	1,758	655	826
- Directors' quarters	614	160	—	—	—
Professional fees	482	1,083	753	322	591
Motor vehicle expenses	713	1,097	180	152	253
Others	2,036	2,388	879	644	1,093
Total	9,954	10,257	7,561	3,793	4,335

Staff costs represent salaries, wages and other benefits and contributions to defined contribution retirement plan provided to our administrative staff. Depreciation represents depreciation for leasehold improvement, machinery, furniture and fixtures and motor vehicles, which are incurred for our operation and administrative purposes. Operating lease rental on office and storage premises are incurred for our office premises and warehouse leased by us. Professional fees mainly represent legal and advisory fees and other professional fees in relation to company secretarial matters. Motor vehicle expenses are relating to fuel and parking fees, maintenance fee, and they fluctuated because of the low usage of the car. Others include miscellaneous expense on office utilities and utensils and charges for mobile communication services.

Finance costs, net

The finance income and finance costs represent bank interest income on deposits and bank interest expenses on borrowings of our Group. The following table sets forth a summary of the finance costs, net during the Track Record Period (with comparative figures for the five months ended 31 August 2016):

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	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Finance income:					
- Interest income on bank deposits	—	63	122	53	50
Finance costs:					
- Interest expenses on bank borrowings	(383)	(1,114)	(285)	(33)	(438)
- Interest expenses on finance lease liabilities	—	(872)	(2,076)	(691)	(948)
Finance costs, net	<u>(383)</u>	<u>(1,923)</u>	<u>(2,239)</u>	<u>(671)</u>	<u>(1,336)</u>

Profit before income tax

The profit before income tax represents the excess amount of the gross profit less all expense incurred for our business operation during a particular year. During the three years ended 31 March 2017, our profit before income tax amounted to HK\$31.1 million, HK\$38.8 million and HK\$36.7 million, respectively. During the five months ended 31 August 2016 and 2017, the amount of profit before income tax was HK\$8.4 million and HK\$7.9 million, respectively.

Income tax expense

Income tax expense comprises current tax and deferred tax. Current tax comprises Hong Kong profits tax, which was provided for at the rate of 16.5% throughout the Track Record Period. During the three years ended 31 March 2017, we provided income tax of HK\$5.1 million, HK\$7.7 million and HK\$6.5 million, respectively. During the five months ended 31 August 2016 and 2017, the amount of income tax provided by us was HK\$1.6 million and HK\$2.1 million, respectively.

As of 31 August 2017, we have made all the required tax filings with and settled all outstanding tax liabilities to the relevant tax authorities in Hong Kong. We are not aware of any outstanding or potential dispute with any of such tax authorities.

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The following table sets forth our income tax payment for the Track Record Period (with comparative figures for the five months ended 31 August 2016):

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Hong Kong profits tax					
Current income tax	5,564	8,044	6,960	1,817	2,430
Deferred income tax	(467)	(321)	(459)	(246)	(325)
Over provision in prior year	—	—	(12)	—	—
	5,097	7,723	6,489	1,571	2,105

The tax on our profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong during the Track Record Period as follows (with comparative figures for the five months ended 31 August 2016):

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Profit before income tax	31,131	38,789	36,677	8,394	7,924
Calculated at tax rate of 16.5%	5,137	6,400	6,052	1,385	1,307
Income not subject to tax	—	(10)	(39)	(9)	—
Expenses not deductible for tax purposes	—	1,333	508	195	798
Tax concession	(40)	—	(20)	—	—
Over-provision in prior year	—	—	(12)	—	—
Income tax expense	5,097	7,723	6,489	1,571	2,105
Effective tax rate	16.4%	19.9%	17.7%	18.7%	26.6%

The fluctuations in the effective tax rate during the five months ended 31 August 2016 and 2017 were primarily due to the expenses incurred for the Listing which are non-deductible for tax computation. The fluctuations in the effective tax rate of 19.9% and 17.7% during the two years ended 31 March 2017 were primarily due to the same reason. The amount of Listing expenses incurred by us during the two years ended 31 March 2017 and five months ended 31 August 2017 amounted to HK\$8.1 million, HK\$3.0 million and HK\$4.5 million, respectively.

Cayman Islands

Pursuant to the applicable laws, rules and regulations of Cayman Islands, our Group is not subject to Cayman Islands income tax.

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The BVI

Pursuant to the applicable laws, rules and regulations of the BVI, our Group is not subject to any profits tax in the BVI.

Hong Kong

Our Hong Kong subsidiaries were subject to Hong Kong profit tax at 16.5% during the Track Record Period.

Macau

We did not have any business operation in Macau during the Track Record Period. Our Macau subsidiary is subject to Macau profit tax at 12%.

OUR OPERATING RESULTS

Five months ended 31 August 2017 compared to five months ended 31 August 2016

Revenue

As compared with the amount of revenue during the five months ended 31 August 2016, our revenue during the five months ended 31 August 2017 recorded a significant growth of 73.5% to HK\$122.7 million from HK\$70.8 million. The increase was primarily due to the commencement of new build-only foundation projects, such as Yuen Long 2 project and Wanchai 2 project, and design-and-build foundation project, namely Tuen Mun 6 project. These projects generated revenue of HK\$9.8 million during the five months ended 31 August 2017. In addition, we also recorded revenue from the existing design-and-build foundation projects, such as Tuen Mun 1 project, Lantau 1 project and Wanchai 1 project, and build-only projects, such as Tuen Mun 2 project, Southern 1 project and The Peak project. These projects generated revenue of HK\$110.9 million during the five months ended 31 August 2017. As part of our business strategy, we undertook six foundation projects as main contractor during the five months ended 31 August 2017 as compared with three foundation projects in such capacity during the five months ended 31 August 2016.

Further information on the foundation projects undertaken by us during the five months ended 31 August 2016 and 2017 is set forth in the section headed “Business — Our foundation projects” in this prospectus.

Cost of sales

During the five months ended 31 August 2017, the cost of sales amounted to HK\$104.7 million, representing an increase of 80.0% as compared with the cost of sales of HK\$58.2 million during the five months ended 31 August 2016. The increase in the cost of sales was generally consistent with the increase in our revenue during the five months ended 31 August 2017.

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The increase in the cost of sales was mainly attributable to the substantial increase in the sub-contracting charges of 79.3% as a result of increased number of foundation projects undertaken by us as well as the increase in the cost of materials, parts and consumables of 164.5% during the five months ended 31 August 2017. We acquired increasing number of machinery primarily for bored piling and as such, the cost of materials, parts and consumables recorded a significant increase. The increase in the fleet of machinery also increased the amount of depreciation by 59.1% to HK\$6.1 million from HK\$3.8 million for the five months ended 31 August 2016.

Our staff costs only increased by 12.6% to HK\$17.6 million from HK\$15.6 million during the five months ended 31 August 2016. The slight increase was primarily due to the increase in staff members of our project management and implementation team.

Gross profit and gross profit margin

As a result of the increase in the amount of revenue and the use of our machinery for bored piling works, we recorded gross profit of HK\$18.0 million as compared with HK\$12.6 million for the five months ended 31 August 2016, representing an increase of 43.7%. The gross profit margin, however, was decreased slightly by 3.1% to 14.7% from 17.8% for the five months ended 31 August 2016. The slight decrease in the gross profit margin was primarily due to the decrease in the revenue contributed by the target foundation projects to HK\$35.7 million, in which we enjoyed relatively high gross profit margins. During the five months ended 31 August 2017, revenue from two targeted foundation projects, namely Tuen Mun 1 project and North Point project, was recognised as part of our revenue. We also engaged in an increasing number of foundation projects as the main contractor because of our business focus on main contractor foundation projects. However, after taking into account that we have no track record in completing main contractor foundation project, we mainly tendered and were awarded build-only foundation projects in the capacity as main contractor. This also affected the gross profit margin during the five months ended 31 August 2017.

Other income and gains, net

During the five months ended 31 August 2017, we did not record any other income and gains, net, except for a rental income of our machinery of HK\$70,000.

Other administrative expenses

Our other administrative expenses remained stable during the five months ended 31 August 2017 of HK\$4.3 million as compared with HK\$3.8 million during the five months ended 31 August 2016. A significant part of the other administrative expenses is stable regardless of our business revenue and as such, there was no significant change in the amount of the other administrative expenses.

Finance costs, net

Our finance costs, net increased by 99.1% as compared with the same amount for the five months ended 31 August 2016. The increase was primarily due to the increase in the balance of borrowings

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to finance the increased scale of business operation and the increase in the amount of finance lease liabilities as a result of purchase of machinery. The weighted average interest rate of our bank loans was 3.28% per annum and the weighted average interest rate for our finance lease liabilities uses 4.14% per annum which was comparable to nil and 5.40%, respectively, for the five months ended 31 August 2016.

Profit before income tax

Our profit before income tax decreased slightly by 5.6% to HK\$7.9 million from HK\$8.4 million for the five months ended 31 August 2016. The percentage increase in the amount of profit before tax despite the increase in our revenue was primarily due to the amount of Listing expenses of HK\$4.5 million and the increase in the finance costs as a result of our business expansion.

Income tax expense

The effective tax rates was 26.6% as compared with 18.7% for the five months ended 31 August 2016. The increase in the effective tax rate was primarily due to the increase in the Listing expenses which are non-deductible for tax computation.

Year ended 31 March 2017 compared to year ended 31 March 2016

Revenue

Our revenue decreased by 18.6% to HK\$263.5 million from HK\$323.6 million for the year ended 31 March 2016. The decrease was primarily a result of a change of our business strategy to secure foundation projects in the role of main contractor. At the beginning, we were not able to secure main contractor sizeable main contractor foundation projects. In the process of transitioning, we secured six foundation projects, (namely Tuen Mun 4 project, Tuen Mun 5 project, Tseung Kwan O project, Wanchai 1 project, Tuen Mun 6 project and Southern 2 project) during the year ended 31 March 2017, as compared with one foundation project, namely The Peak project during the year ended 31 March 2016.

There was an increase in the number of tenders submitted directly to property developers. As a result of our efforts, the number of foundation projects with revenue contribution during the year ended 31 March 2017 increased to 18 comprising five foundation projects acting as the main contractor and 13 foundation projects acting as sub-contractor.

However, some foundation projects, such as Wanchai 1 project, Tuen Mun 6 project and Southern 2 project, were secured by us around the end of the year ended 31 March 2017. Most of these foundation projects would not generate revenue during the year ended 31 March 2017. We expect that most of the revenue generated from these projects would be recognised during the year ending 31 March 2018. Further information is set forth in the section headed “Business — Our foundation projects” in this prospectus.

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As a result, the amount of revenue during the year ended 31 March 2017 decreased, as compared to the year ended 31 March 2016, even though we have secured an increasing number of foundation projects acting as the main contractor and sub-contractor.

Cost of sales

The decrease in the cost of sales during the year ended 31 March 2017 was 19.2% which was consistent with the decrease of 18.6% in our revenue. The decrease in the cost of sales was mainly attributable to the substantial decrease in the sub-contracting charges of 48.8% as a result of the reduced reliance on sub-contractors with their own machinery and the fact we have our own fleet of machinery. Our materials, parts and consumables increased by 210.8% as we took up more of the role in purchasing of materials due to the change of our business strategy. Our staff costs increased by 30.4% because of the additional number of workers employed by us for the operation of the machinery. As part of our cost of sales, our depreciation increased by 184.1% because of the purchase of additional machinery, such as crawler cranes, reverse circulation drills and temporary casing oscillators.

In addition, we made substantial investments in the purchase of machinery for expansion of our competitiveness and capability. Before the purchase of the machinery, most of the foundation projects secured by us did not involve bored piling or the relevant bored piling was sub-contracted to our sub-contractors. We now can complete the bored piling works with our own machinery. As a result, there were changes as to the proportion of each of the principal components to the cost of sales during the year ended 31 March 2017. We had reduced sub-contracting charges, but experienced substantial increases in staff costs, materials, parts and consumables expense and depreciation expense.

Gross profit and gross profit margin

The amount of our gross profit decreased by 15.5% as compared with the year ended 31 March 2016 mainly due to the decrease in our revenue. We maintained a stable gross profit margin of 18.4% during the year ended 31 March 2017. We have implemented stringent cost control so that the gross profit margin could be maintained at similar level even though there was decrease in the amount of gross profit.

Other income and gains, net

The income and gains decreased by 35.9% as compared with the year ended 31 March 2016 mainly due to the decrease in consultancy income, offset by the increase in gain on disposal of a motor vehicle.

Other administrative expenses

Our other administrative expenses decreased by 26.3% as compared with the same amount for the year ended 31 March 2016 which was in line with the decrease in revenue. The decrease was primarily due to the decrease in the motor vehicle expense following the disposal of one of the motor vehicles during the year.

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Finance costs, net

Our finance costs, net increased by 16.4% as compared with the same amount for the year ended 31 March 2016. The increase was primarily due to the increase in the balance of borrowings for the purchase of machinery. The weighted average interest rate of our bank loans was 2.09% per annum and the weighted average interest rate for our finance lease liabilities uses 5.53% per annum which was comparable to 5.15% as of 31 March 2016.

Profit before income tax

Our profit before income tax decreased by 5.4% as compared with the same amount for the year ended 31 March 2016. The decrease was substantially less than the percentage decrease in our revenue during the year primarily due to the effective control on the gross profit margin as well as the amount of our administrative expenses.

Income tax expense

The effective tax rates for the year ended 31 March 2017 was 17.7% as compared with 19.9% for the year ended 31 March 2016. The decrease in the effective tax rate was primarily due to the decrease in Listing expenses, which are non-deductible for tax computation.

Year ended 31 March 2016 compared to year ended 31 March 2015

Revenue

Our revenue increased by 16.9% to HK\$323.6 million from HK\$276.8 million for the year ended 31 March 2016. The increase was primarily attributable to the substantial completion of works of three targeted foundation projects North Point project (contract sum: HK\$337.1 million); Mid-Levels project (contract sum: HK\$133.6 million) and Yuen Long 1 project (contract sum: HK\$142.8 million) during the year ended 31 March 2016. In the year, we also secured six new foundation projects with part of the revenue recognised in the year. These two factors resulted in the increase in our revenue during the year.

Cost of sales

The increase in the cost of sales during the year ended 31 March 2016 was 10.4% which was less than the percentage increase of revenue of 16.9% due to our implementation of a stringent cost control. The increase in the cost of sales was mainly attributable to the increase in the sub-contracting charges of 9.8% because of the increase in number of foundation projects undertaken by us during the year. Since the third quarter of 2015, we started to purchase machinery for engaging in bored piling works. Our staff costs increased by 42.3% because of the additional number of workers employed for operation of machinery. As part of our cost of sales, our depreciation increased by 617.6% because of the newly purchased machinery.

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Gross profit and gross profit margin

The amount of our gross profit increased by 60.6% as compared with the year ended 31 March 2015 mainly due to the increase in our revenue. The gross profit margin also improved significantly to 17.7% from 12.9% during the year ended 31 March 2016. The increase in the gross profit margin was primarily due to the substantial completion of the three targeted foundation projects during the year ended 31 March 2016. Also, we implemented a stringent cost control for these targeted foundation projects. As a result, the gross profit margin increased.

Other income and gains, net

The income and gains decreased by 70.0% as compared with the year ended 31 March 2015 mainly due to the decrease in machinery rental income.

Other administrative expenses

Our other administrative expenses increased by 3.0% as compared with the same amount for the year ended 31 March 2015. The increase was in line with the increase in revenue. The increase was primarily due to the increases in our staff costs which offset by the decrease in depreciation of our machinery. The staff costs also increased because of additional staff recruited during the year.

Finance costs, net

Our finance costs, net increased substantially by 402.1% to HK\$1.9 million from HK\$0.4 million during the year ended 31 March 2016. We purchased significant amount of machinery during the year ended 31 March 2016 financed by finance leases and as such, the increase in our finance costs, net represented interest expense on finance leases. We arranged for a bank loan in the first quarter of 2015 and hence, the interest expense of such loan was included in expense for the year ended 31 March 2015. The weighted average interest was at a low rate than that of the finance lease liabilities arranged by us during the year ended 31 March 2016.

Profit before income tax

Our profit before income tax increased by 24.6% as compared with the same amount for the year ended 31 March 2015. The increase was due to the increase in gross profit and offset by the listing expenses incurred during the year ended 31 March 2016.

Income tax expense

The effective tax rates for the year ended 31 March 2016 was 19.9% as compared with 16.4% for the year ended 31 March 2015 and the statutory Hong Kong profits tax rate of 16.5%. The increase in the effective tax rate was primarily due to the increase in Listing expenses, which are non-deductible for tax computation.

FINANCIAL INFORMATION

SENSITIVITY ANALYSIS

We set forth below a sensitivity analysis on the fluctuations in (a) sub-contracting charges, (b) staff costs and (c) materials, parts and consumables which illustrate the hypothetical impact on our net profit before income tax with 5%, 10% and 15% increase or decrease in the respective items. Due to a number of assumptions applied, the sensitivity analysis is for illustration purpose only and the actual results may differ from the illustration below:

	Change in net profit for change in the sub-contracting charges		
	+/-5%	+/-10%	+/-15%
	HK\$'000	HK\$'000	HK\$'000
Year ended 31 March 2015	± 7,964.9	± 15,929.8	± 23,894.7
Year ended 31 March 2016	± 8,743.1	± 17,486.2	± 26,229.2
Year ended 31 March 2017	± 4,480.4	± 8,960.8	± 13,441.2
Five months ended 31 August 2017	± 1,612.3	± 3,224.5	± 4,836.8

	Change in net profit for change in staff costs		
	+/-5%	+/-10%	+/-15%
	HK\$'000	HK\$'000	HK\$'000
Year ended 31 March 2015	± 882.2	± 1,764.4	± 2,646.7
Year ended 31 March 2016	± 1,255.1	± 2,510.2	± 3,765.3
Year ended 31 March 2017	± 1,636.1	± 3,272.1	± 4,908.2
Five months ended 31 August 2017	± 735.2	± 1,470.4	± 2,205.7

	Change in net profit for change in cost of materials, parts and consumables		
	+/-5%	+/-10%	+/-15%
	HK\$'000	HK\$'000	HK\$'000
Year ended 31 March 2015	± 561.6	± 1,123.2	± 1,684.7
Year ended 31 March 2016	± 622.0	± 1,244.1	± 1,866.1
Year ended 31 March 2017	± 1,933.3	± 3,866.6	± 5,799.8
Five months ended 31 August 2017	± 1,449.7	± 2,899.4	± 4,349.1

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

Our liquidity requirements are primarily attributable to our working capital needs for the foundation projects undertaken by us. During the Track Record Period, our principal sources of liquidity were cash generated from our business operations, bank borrowings and amount provided by our Controlling Shareholders and our Substantial Shareholders. As of 31 August 2017, we had cash and cash equivalents of HK\$25.3 million.

As of 31 August 2017, our short-term interest bearing bank and other borrowings (being classified as our current liabilities) amounted to HK\$42.8 million. We did not owe any amount to our Controlling Shareholders and our Substantial Shareholders. As of the same date, our current assets exceeded our current liabilities by HK\$42.0 million.

Further information on our net current assets as of 31 March 2015, 2016 and 2017 and as of 31 August 2017 is set forth in the paragraphs under “Principal components of our current assets and current liabilities” below.

The following sets forth our combined statements of cash flows during the Track Record Period (with comparative figures for the five months ended 31 August 2016):-

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Net cash generated from/(used in)					
operating activities	58,911	11,748	16,027	(9,629)	(3,733)
Net cash (used in)/generated from					
investing activities	(42,578)	25,903	14,841	8,557	(9,308)
Net cash generated from/(used in)					
financing activities	<u>9,148</u>	<u>(38,636)</u>	<u>(24,081)</u>	<u>(15,260)</u>	<u>3,916</u>
Net increase/(decrease) in cash and cash					
equivalents	25,481	(985)	6,787	(16,332)	(9,125)
Cash and cash equivalents at beginning					
of year/period	<u>3,138</u>	<u>28,619</u>	<u>27,634</u>	<u>27,634</u>	<u>34,421</u>
Cash and cash equivalents at end of					
year/period	<u><u>28,619</u></u>	<u><u>27,634</u></u>	<u><u>34,421</u></u>	<u><u>11,302</u></u>	<u><u>25,296</u></u>

FINANCIAL INFORMATION

Cash flows generated from operating activities

The following sets forth further information on our cash flow generated from operating activities during the Track Record Period (with comparative figures for the five months ended 31 August 2016):-

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Cash flows from operating activities					
Profit before taxation	31,131	38,789	36,677	8,394	7,924
Adjustments for:					
- Depreciation	3,351	5,887	12,768	5,089	6,956
- (Gains)/losses on disposal of machinery and equipment	(1,756)	378	(146)	—	—
- Interest expenses	383	1,986	2,361	724	1,386
- Interest income	—	(63)	(122)	(53)	(50)
	<u>33,109</u>	<u>46,977</u>	<u>51,538</u>	<u>14,154</u>	<u>16,216</u>
Changes in working capital					
Decrease/(increase) in trade and retention receivables	1,700	(6,415)	(13,350)	(13,603)	4,291
(Increase)/decrease in prepayments, deposits and other receivables	(555)	(1,707)	494	70	1,834
(Increase)/decrease in amounts due from customers for contract work	(1,850)	(23,037)	(28,704)	9,701	(4,866)
Increase/(decrease) in amounts due to customers for contract work	19,010	(16,905)	(373)	2,561	(1,685)
Increase/(decrease) in trade and retention payables	10,880	31,173	20,295	(15,599)	(20,946)
Increase/(decrease) in other payables and accruals	405	3,855	2,401	(483)	(682)
Increase in restricted bank balances	—	<u>(16,800)</u>	<u>(17)</u>	—	—
Net cash generated from/(used in) operations	62,699	17,141	32,284	(3,199)	(5,838)
Hong Kong profits tax (paid)/refund	<u>(3,788)</u>	<u>(5,393)</u>	<u>(16,257)</u>	<u>(6,430)</u>	<u>2,105</u>
Net cash generated from/(used in) operating activities	<u><u>58,911</u></u>	<u><u>11,748</u></u>	<u><u>16,027</u></u>	<u><u>(9,629)</u></u>	<u><u>(3,733)</u></u>

FINANCIAL INFORMATION

Net cash from/(used in) operating activities primarily consisted of profit before taxation, being adjusted for depreciation of machinery and equipment, gains / (losses) on disposal of machinery and equipment, bank interest income, finance costs, net effect of changes in working capital and Hong Kong profit tax paid.

Our major operating cash inflows are derived mainly from the receipt of payments from contract works undertaken by us and our cash used in operating activities mainly include subcontracting charges and staff costs.

For the five months ended 31 August 2017, we had net cash used in operating activities of HK\$3.7 million, primarily contributed by the combined effect of (i) the change in net amounts due from/to customers for contract work of HK\$6.6 million; (ii) the decrease in trade and retention payables of HK\$20.9 million. This was partially offset by (i) operating cash flows before movements in working capital of HK\$16.2 million; (ii) the decrease in trade and retention receivables of HK\$4.3 million; and (iii) the decrease in prepayments, deposits and other receivables of HK\$1.8 million.

For the year ended 31 March 2017, we had net cash generated from operating activities of HK\$16.0 million, primarily contributed by the combined effect of (i) operating cash flows before movements in working capital of HK\$51.5 million; (ii) the increase in trade and retention payables of HK\$20.3 million; and (iii) the increase in other payables and accruals of HK\$2.4 million. This was partially offset by (i) the change in net amounts due from/to customers for contract work of HK\$29.1 million; (ii) the payment of Hong Kong profits tax of HK\$16.3 million; and (iii) the increase in trade and retention receivables of HK\$13.4 million.

For the year ended 31 March 2016, we had net cash generated from operating activities of HK\$11.7 million, primarily contributed by the combined effect of (i) operating cash flows before movements in working capital of HK\$47.0 million; (ii) the increase in trade and retention payables of HK\$31.2 million; and (iii) the increase in other payables and accruals of HK\$3.9 million. This was partially offset by (i) the change in net amounts due from/to customers for contract work of HK\$39.9 million; (ii) the increase in restricted bank balances of HK\$16.8 million; (iii) the increase in trade and retention receivables of HK\$6.4 million; (iv) the payment of Hong Kong profits tax of HK\$5.4 million; and (v) the increase in prepayments, deposits and other receivables of HK\$1.7 million.

For the year ended 31 March 2015, we had net cash generated from operating activities of HK\$58.9 million, primarily contributed by the combined effect of (i) operating cash flows before movements in working capital of HK\$33.1 million; (ii) the change in net amounts due from/to customers for contract work of HK\$17.2 million; and (iii) the increase in trade and retention payables of HK\$10.9 million; and (iv) the decrease in trade and retention receivables of HK\$1.7 million. This was partially offset by the payment of Hong Kong profits tax of HK\$3.8 million.

FINANCIAL INFORMATION

Cash flows generated from/(used in) investing activities

The following sets forth further information on our cash flow from/(used in) investing activities during the Track Record Period (with comparative figures for the five months ended 31 August 2016):-

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Cash flows from investing activities					
Purchase of machinery and equipment .	(4,185)	(36,815)	(1,899)	(971)	(9,308)
Proceeds from disposal of machinery and equipment	30,300	101	320	—	—
Advance to directors	(72,344)	(5,104)	(1,926)	(247)	—
Repayment from directors	<u>3,651</u>	<u>67,721</u>	<u>18,346</u>	<u>9,775</u>	<u>—</u>
Net cash generated from/(used in) investing activities	<u>(42,578)</u>	<u>25,903</u>	<u>14,841</u>	<u>8,557</u>	<u>(9,308)</u>

Net cash used in investing activities was HK\$9.3 million for the five months ended 31 August 2017, which primarily representing the net cash outflow from settlement of purchase of machinery from prior year.

Net cash flow generated from investing activities was HK\$14.8 million for the year ended 31 March 2017, which primarily representing the net cash inflow generated from repayment from directors of HK\$16.4 million.

Net cash flow generated from investing activities was HK\$25.9 million for the year ended 31 March 2016, which primarily representing the net cash inflow generated from repayment from directors of HK\$67.7 million offset with the cash used in purchasing machinery and equipment of HK\$36.8 million and cash used in advance to directors of HK\$5.1 million.

Net cash flow used in investing activities was HK\$42.6 million for the year ended 31 March 2015, which primarily representing the net cash used in advance to director of HK\$72.3 million and purchase of machinery and equipment of HK\$4.2 million offset with the cash generated from the proceeds from disposal of plant and equipment of HK\$30.3 million and repayment from directors of HK\$3.7 million.

FINANCIAL INFORMATION

Cash flows generated from/(used in) financing activities

The following sets forth further information on our cash flow from/(used in) financing activities during the Track Record Period (with comparative figures for the five months ended 31 August 2016):-

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Cash flows from financing activities					
Advance from a Director . . .	—	—	—	—	23,300
Repayment to a Director . . .	(7,008)	—	—	—	(23,300)
Drawdown of long-term borrowings	19,689	—	—	—	—
Repayment of long-term borrowings	(10,722)	(19,667)	—	—	—
Drawdown of short-term borrowings	7,572	—	9,828	—	42,114
Repayment of short-term borrowings	—	(7,572)	(1,638)	—	(26,120)
Capital element of finance lease payment	—	(9,411)	(29,910)	(14,536)	(8,682)
Interest paid	(383)	(1,986)	(2,361)	(724)	(1,386)
Listing expenses paid	—	—	—	—	(2,010)
Net cash generated from/(used in) financing activities	<u>9,148</u>	<u>(38,636)</u>	<u>(24,081)</u>	<u>(15,260)</u>	<u>3,916</u>

Our net cash flow generated was HK\$3.9 million for the five months ended 31 August 2017, principally representing drawdown of advance from a Director of HK\$23.3 million, the drawdown of short-term borrowings of HK\$42.1 million, offset by (i) repayment to a Director of HK\$23.3 million, the repayment of bank borrowings of HK\$26.1 million; (ii) the repayment of finance lease payments of HK\$8.7 million; (iii) the interest paid of HK\$1.4 million and (iv) the listing expenses of HK\$2.0 million.

Our net cash flow used in financing activities was HK\$24.1 million for the year ended 31 March 2017, principally representing (i) the repayment of finance lease payments of approximately HK\$29.9 million; (ii) the interest paid of HK\$2.4 million; and (iii) the repayment of bank borrowings of HK\$1.6 million. This was partially offset by new bank borrowings raised of approximately HK\$9.8 million.

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Our net cash flow used in financing activities was HK\$38.6 million for the year ended 31 March 2016, principally representing (i) the repayment of bank borrowings of HK\$27.2 million; (ii) the repayment of finance lease payments of HK\$9.4 million and (iii) the interest paid of HK\$2.0 million.

Our net cash flow generated from financing activities was HK\$9.1 million for the year ended 31 March 2015, principally representing the drawdown of bank borrowings of HK\$27.3 million. This was partially offset by (i) the repayment of bank borrowings of HK\$10.7 million and (ii) the repayment to a director of HK\$7.0 million.

WORKING CAPITAL

We believe that we will be able to settle our commitments and repay our borrowings by using funds from a combination of sources including internally generated cash flows, primarily being cash generated through payment from our customers, and the net proceeds from the Share Offer.

As of 31 March 2015, 2016, 2017 and as of 31 August 2017, our aggregate cash and cash equivalent amounted to HK\$28.6 million, HK\$27.6 million, HK\$34.4 million and HK\$25.3 million, respectively. There was no material change in the balance of cash and cash equivalent as of 31 March 2015 and 2016 as we incurred payments for the purchase of machinery which offset the net cash generated from our operating activities. There was an increase in the amount of cash and cash equivalents as of 31 March 2017 primarily due to the delay in our sub-contractors submitting documents for our settlement. The amount of cash and cash equivalents as of 31 August 2017 decreased because of the settlement of payment, for the purchase of machinery by our own funds.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any undue difficulty in obtaining banking facilities or withdrawal of banking facilities from banks or any default in payment of bank loans or other borrowings or breach of any covenants.

WORKING CAPITAL SUFFICIENCY STATEMENT

Taking into account the estimated amount of net proceeds from the Share Offer and the cash flows generated from our operating activities, our Directors confirm that we have sufficient working capital for our present requirement for at least the next 12 months from the date in this prospectus.

FINANCIAL INFORMATION

NET CURRENT ASSETS

Our net current asset represents the differences between our current assets and our current liabilities. As of 31 March 2015, 2016 and 2017, 31 August 2017 and 31 October 2017, we had net current asset of HK\$64.7 million, HK\$40.6 million, HK\$35.9 million, HK\$42.0 million and HK\$47.4 million, respectively. The following sets forth the components of our current assets and current liabilities as of 31 March 2015, 2016 and 2017, 31 August 2017 and 31 October 2017:

	As of 31 March			As of 31 August	As of 31 October
	2015	2016	2017	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)
Current assets					
Trade and retention receivables	18,559	24,974	38,324	34,033	55,964
Prepayments, deposits and other receivables	1,006	2,850	2,683	2,914	4,125
Amounts due from customers for contract work	6,969	30,006	58,710	63,576	62,403
Income tax receivable	—	—	3,149	—	—
Amounts due from directors	79,037	16,420	—	—	—
Restricted bank balances	—	16,800	16,817	16,817	16,817
Cash and cash equivalents	<u>28,619</u>	<u>27,634</u>	<u>34,421</u>	<u>25,296</u>	<u>29,051</u>
	<u>134,190</u>	<u>118,684</u>	<u>154,104</u>	<u>142,636</u>	<u>168,360</u>
Current liabilities					
Trade and retention payables	17,129	48,302	68,597	47,651	49,615
Other payables and accruals	797	7,687	15,913	6,087	12,998
Borrowings	26,427	11,214	29,332	42,797	48,796
Amounts due to customers for contract work	21,675	4,770	4,397	2,712	6,533
Income tax payable	<u>3,509</u>	<u>6,160</u>	<u>—</u>	<u>1,386</u>	<u>3,024</u>
	<u>69,537</u>	<u>78,133</u>	<u>118,239</u>	<u>100,633</u>	<u>120,966</u>
Net current assets	<u><u>64,653</u></u>	<u><u>40,551</u></u>	<u><u>35,865</u></u>	<u><u>42,003</u></u>	<u><u>47,394</u></u>

The decreasing trend of our net current assets was primarily due to the change of business strategy in the purchase of machinery during the two years ended 31 March 2017 which are classified as non-current assets. The purchase of the machinery was also financed by finance leases and as such, the current portion of the borrowing increased. As a result, our net current assets generally decreased during the Track Record Period.

FINANCIAL INFORMATION

ANALYSIS OF THE PRINCIPAL COMPONENTS IN OUR COMBINED BALANCE SHEETS

Machinery and equipment

Our non-current assets mainly consist of machinery and equipment required during the ordinary course of our business. Our machinery includes crawler cranes, reverse circulation drills, temporary casing oscillator and air compressor. The carrying amount of our machinery and equipment increased from HK\$7.9 million as of 31 March 2015 to HK\$125.8 million as of 31 August 2017. During the two years ended 31 March 2017 and five months ended 31 August 2017, we incurred HK\$72.9 million, HK\$62.3 million and HK\$0.2 million for the purchase of machinery as part of our business strategies to focus on targeted foundation projects as the main contractor.

During the year ended 31 March 2015, we disposed of machinery with the net book value of HK\$28.5 million and recorded a gain on disposal of HK\$1.8 million. The machinery disposed of by us were crawler cranes for lifting purpose and the reason for the disposal was mainly due to our then latest strategies to focus on bored piling works for foundation projects acting as main contractor.

Trade and retention receivables

Our trade and retention receivables mainly consist of trade receivables and retention receivables. Following the receipt of the payment certificates or confirmations from our customers, we will then issue an invoice to our customers for payment. We generally give our customers credit terms up to 30 days. The retention money is retained by our customers at a rate up to 10% of each interim payment made to us and up to a maximum limit of five per cent. of the total contract sum for each foundation project. The retention money will be withheld by our customers and 50% of which will be released to us on the issue of practicable completion certificate and the remaining 50% upon the issuance of the defect liability certificate usually after the expiration of an one-year period following the date of the practicable completion certificate.

The following table sets forth an analysis of our trade and retention receivables as of 31 March 2015, 2016, 2017 and as of 31 August 2017:

	As of 31 March			As of
	2015	2016	2017	31 August 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	18,559	15,458	24,093	20,513
Retention receivables	—	9,516	14,231	13,520
Total	<u>18,559</u>	<u>24,974</u>	<u>38,324</u>	<u>34,033</u>

FINANCIAL INFORMATION

Trade receivables

Our trading terms with our customers are mainly on credit. The credit period is generally up to 30 days. Each customer has a maximum credit limit. We seek to maintain strict control over the balance of outstanding trade receivables from each customer. We will review the outstanding balance on a regular basis. We do not hold any collateral or other credit enhancements over our trade receivables which are also non-interest bearing.

Our trade receivables decreased from HK\$18.6 million to HK\$15.5 million as of 31 March 2016 and increased significantly to HK\$24.1 million as of 31 March 2017. The decrease in the balance of trade receivables from HK\$18.6 million as of 31 March 2015 to HK\$15.5 million as of 31 March 2016 was mainly due to our collection efforts around our financial year. The increase in the balance of trade receivables from HK\$15.5 million as of 31 March 2016 to HK\$24.1 million as of 31 March 2017 was mainly due to the increase in the amount of foundation works completed in the first quarter of 2017, which resulted in an increasing amount of trade receivables as of 31 March 2017. The slight decrease in trade receivables as of 31 August 2017 was primarily to the increase in the amount due from our customers for contract work.

We do not have general provision policy on our trade receivables. Our Directors determine specific provision for doubtful debts on a case-by-case basis taking into consideration a number of factors, such as the ageing of the balance of the trade receivables, customers' previous payment history and customers' financial position and the customers' general reputation in the industry. During the Track Record Period, we did not make any provision for doubtful debts and did not experience any difficulty in settling our trade receivables which had a material adverse impact on our financial conditions.

The following table sets forth the ageing analysis of our trade receivables based on invoice date as of 31 March 2015, 2016 and 2017 and as of 31 August 2017:

	As of 31 March			As of 31 August 2017
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1 to 30 days.	18,559	15,458	24,093	20,513

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The following table sets forth ageing analysis of our trade receivables that are neither individually nor collectively considered to be impaired as of 31 March 2015, 2016 and 2017 and as of 31 August 2017:

	As of 31 March			As of
	2015	2016	2017	31 August 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Past due by:				
1 to 30 days.....	<u>18,559</u>	<u>7,552</u>	<u>19,488</u>	<u>—</u>

We consider that our trade receivables are past due when our customers fail to make payment when due. We generally offer our customers a credit term ranging from 0 to 30 days from our invoice date. The following table sets forth the turnover days of our trade receivables during the Track Record Period:

	Year ended 31 March			Five months ended
	2015	2016	2017	31 August 2017
Trade receivables turnover days ^(Note)	<u>25.6 days</u>	<u>19.2 days</u>	<u>27.4 days</u>	<u>27.8 days</u>

Note:

Our trade receivables turnover days for the Track Record Period equal to the average trade receivables divided by revenue for the relevant year and multiplied by the number of days in the relevant year/period. Our average trade receivables equal to the average of our trade receivables at the beginning and the end of the relevant year/period.

Our average trade receivables turnover days were 25.6 days, 19.2 days, 27.4 days and 27.8 days for the Track Record Period, respectively. The average trade receivables turnover days indicates the average number of days required for us to collect payments from our customers.

The decrease in trade receivables turnover days from 25.6 days for the year ended 31 March 2015 to 19.2 days for the year ended 31 March 2016 was principally attributable to the substantial completion of the targeted foundation projects (the Mid-Levels project, the Tuen Mun 1 project and the Yuen Long 1 project) and our billings issued to our customers for certified works of these targeted foundation projects were substantially settled before 31 March 2016, leading to a decrease in trade receivables as of March 2016.

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The increase in trade receivables turnover days from 19.2 days for the year ended 31 March 2016 to 27.4 days for the year ended 31 March 2017 was primarily due to the increasing average trade receivable balance, resulted from significant amount of billings issued to our customers for certified work performed by us during the first quarter of 2017.

The trade receivables turnover days for the five months ended 31 August 2017 remained stable at 27.8 days as compared with 27.4 days for the year ended 31 March 2017.

As of 31 October 2017, an aggregate amount of HK\$18.2 million or 88.5% of our trade receivables as of 31 August 2017 had been collected.

Retention receivables

Our Directors determine the provision for impairment of retention receivables on a project-by-project basis taking into consideration a number of factors, such as the terms of release of the retention money as agreed in the project documentation, the ageing of the receivable balance, customers' payment history and customers' financial position and the customers' general reputation in the industry. During the Track Record Period, we did not make any provision for doubtful debts and did not experience any difficulty in settling our retention receivables which had a material adverse impact on our financial conditions.

Our retention receivables decreased from HK\$14.2 million as of 31 March 2017 to HK\$13.5 million as of 31 August 2017. Our retention receivables increased significantly from HK\$9.5 million as of 31 March 2016 to HK\$14.2 million as of 31 March 2017. We did not have retention receivables as of 31 March 2015 as we have no projects which required retention money. The increases in the amount of our retention receivables as of 31 March 2016 and 2017 were primarily due to the increases in the number of foundation projects undertaken by us during the same period.

As of 31 October 2017, we have not received any of the balance of our retention receivables as of 31 August 2017. Retention money is usually withheld by customers for a period of time until the end of the defects liability period or the receipt of final account. In view of the nature of retention receivables, our Directors consider that no impairment would need to be made.

FINANCIAL INFORMATION

Prepayments, deposits and other receivables

The following table sets forth information on our deposits, prepayments and other receivables as of the dates indicated:

	As of 31 March			As of
	2015	2016	2017	31 August 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current				
Prepayment for materials	250	600	—	—
Prepayment for rental expenses	76	333	333	333
Prepaid share issuance costs in relation to initial public offering	—	—	—	2,010
Rental and other deposits	680	1,594	1,758	500
Other receivables	—	323	592	71
	<u>1,006</u>	<u>2,850</u>	<u>2,683</u>	<u>2,914</u>
Non-current				
Prepayment for rental expenses	324	—	—	—
Rental and other deposits	—	250	45	40
	<u>324</u>	<u>250</u>	<u>45</u>	<u>40</u>
Total	<u>1,330</u>	<u>3,100</u>	<u>2,728</u>	<u>2,954</u>

Amounts due from customers for contract work

Our revenue from construction contracts is recognised based on the stage of completion of the contracts. The stage of completion is measured by reference to the proportion of contract cost incurred for work performed to date bear to the estimated total construction costs. We normally submit 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 site investigation field works.

The amounts due from customers for contract work represent the surplus of the foundation projects as of the end of each reporting year when the contract costs incurred to date plus recognised profits less recognised losses is more than the progress billings. The amount due from customers consist of (i) completed projects or ongoing projects close to the end of each year, for which the payment certificates have yet to be received by us from our customers and (ii) the amount representing the contract costs incurred less the costs recognised in our statements of our comprehensive income with reference to the stage of completion of the foundation projects at the end of each reporting year. The level of the amounts due from customers for contract work as of a date is mainly affected by the duration between our submission of progress payment applications and receipt of progress certificates from customers.

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The amounts due to customers for contract work represent foundation projects in progress at the end of each reporting year and are incurred when the progress billings exceeds contract costs incurred to date plus recognised profit less recognised loss. The amounts due to customers consist of (i) the amount representing the cost recognised in our statements of comprehensive income with reference to the stage of completion of the foundation projects at the end of each reporting year less the contract costs incurred and (ii) provision for contingency cost on ongoing foundation projects based on the complexity and foreseeable delay of those projects.

The following table sets forth our amounts due from/to customers for contract work as of 31 March 2015, 2016, 2017 and as of 31 August 2017:

	As of 31 March			As of
	2015	2016	2017	31 August 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Aggregated costs incurred and recognised profits to date.	327,532	625,940	889,411	1,012,182
Progress billings to date.	<u>(342,238)</u>	<u>(600,704)</u>	<u>(835,098)</u>	<u>(951,318)</u>
	<u>(14,706)</u>	<u>25,236</u>	<u>54,313</u>	<u>60,864</u>
Included in current assets/(liabilities) are the following:				
Due from customers for contract work . . .	6,969	30,006	58,710	63,576
Due to customers for contract work	<u>(21,675)</u>	<u>(4,770)</u>	<u>(4,397)</u>	<u>(2,712)</u>
Total	<u>(14,706)</u>	<u>25,236</u>	<u>54,313</u>	<u>60,864</u>

Our aggregated costs incurred and recognised profits increased from HK\$327.5 million as of 31 March 2015 to HK\$625.9 million as of 31 March 2016, and increased to HK\$889.4 million as of 31 March 2017 and further increased to HK\$1,012.2 million as of 31 August 2017.

As of 31 March 2015, our total progress billings were able to cover all of our aggregated costs incurred and recognised profits, and, accordingly, our amounts due to customers for contract work exceeded the amounts due from customers for contract work as of the respective dates.

As of 31 March 2016, 2017 and as of 31 August 2017, our total progress billings were not able to cover all of our aggregated costs incurred and recognised profits, and, accordingly, our amounts due from customers for contract work exceeded the amounts due to customers for contract work as of the respective dates.

The net amounts due to customers for contract work decreased from HK\$14.7 million as of 31 March 2015 to due from customers for contract work of HK\$25.2 million as of 31 March 2016, and then further increased to HK\$54.3 million as of 31 March 2017 and further increased to HK\$60.9 million as of 31 August 2017.

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Our Directors confirm that as of 31 October 2017, an aggregate amount of HK\$29.8 million, or 46.8%, of the amounts due from customers for contract works as of 31 August 2017 (the “**Relevant Balance**”) had been billed to our customers. As of 31 October 2017, an aggregate amount of HK\$25.9 million or 40.7% of the Relevant Balances had been received.

The amounts due from/to customers for contract work may vary as they are usually affected by the volume and value of foundation work we performed close to the end of each reporting period, and the timing of billing to our customers.

Income tax receivable and Income tax payable

The amount of income tax receivable represented the provisional tax paid by Vicon Machinery which had no assessable income for Hong Kong profits tax purpose in the year of assessment ended 31 March 2016. The amount of income tax payable represented the amount of Hong Kong profits tax payable by Vicon Construction.

Deferred income tax assets and deferred income tax liabilities

Deferred tax assets are recognised for deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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The following table sets for the deferred income assets and deferred income tax liabilities as of 31 March 2015, 2016, 2017 and as of 31 August 2017:

	As of 31 March			As of 31 August 2017
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred income tax assets to be recovered after more than 12 months . .	<u>—</u>	<u>—</u>	<u>185</u>	<u>510</u>
Deferred income tax liabilities to be recovered after more than 12 months . .	<u>595</u>	<u>274</u>	<u>—</u>	<u>—</u>

The following sets forth the movements in the deferred tax assets and the deferred tax liabilities and the gross amount of deferred tax credited to the profit or loss during the Track Record Period (with comparative figures for the five months ended 31 August 2016):

Deferred income tax liabilities

	Accelerated tax depreciation	Unrealised loss arising from intra-group transactions	Total
	HK\$'000	HK\$'000	HK\$'000
As of 1 April 2014	(3,723)	(170)	(3,893)
Credited to the profit or loss	<u>2,956</u>	<u>170</u>	<u>3,126</u>
As of 31 March 2015	<u>(767)</u>	<u>—</u>	<u>(767)</u>
As of 1 April 2015	(767)	—	(767)
Charged to the profit or loss	<u>(5,409)</u>	<u>—</u>	<u>(5,409)</u>
As of 31 March 2016	<u>(6,176)</u>	<u>—</u>	<u>(6,176)</u>
As of 1 April 2016	(6,176)	—	(6,176)
Charged to the profit or loss	<u>(4,163)</u>	<u>—</u>	<u>(4,163)</u>
As of 31 March 2017	<u>(10,339)</u>	<u>—</u>	<u>(10,339)</u>
As of 1 April 2017	(10,339)	—	(10,339)
Charged to the profit or loss	<u>(1,655)</u>	<u>—</u>	<u>(1,655)</u>
As of 31 August 2017	<u>(11,994)</u>	<u>—</u>	<u>(11,994)</u>
(Unaudited)			
As of 1 April 2016	(6,176)	—	(6,176)
Credited to the profit or loss	<u>(2,431)</u>	<u>—</u>	<u>(2,431)</u>
As of 31 August 2016	<u>(8,607)</u>	<u>—</u>	<u>(8,607)</u>

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Deferred income tax assets

	Tax losses	Unrealised profit arising from intra-group transactions	Total
	HK\$'000	HK\$'000	HK\$'000
As of 1 April 2014	2,831	—	2,831
(Charged)/credited to the profit or loss	<u>(2,831)</u>	<u>172</u>	<u>(2,659)</u>
As of 31 March 2015	<u>—</u>	<u>172</u>	<u>172</u>
As of 1 April 2015	—	172	172
(Charged)/credited to the profit or loss	<u>5,897</u>	<u>(167)</u>	<u>5,730</u>
As of 31 March 2016	<u>5,897</u>	<u>5</u>	<u>5,902</u>
As of 1 April 2016	5,897	5	5,902
Credited to the profit or loss	<u>4,622</u>	<u>—</u>	<u>4,622</u>
As of 31 March 2017	<u>10,519</u>	<u>5</u>	<u>10,524</u>
As of 1 April 2017	10,519	5	10,524
Credited to the profit or loss	<u>1,980</u>	<u>—</u>	<u>1,980</u>
As of 31 August 2017	<u>12,499</u>	<u>5</u>	<u>12,504</u>
(Unaudited)			
As of 1 April 2016	5,897	5	5,902
Credited to the profit or loss	<u>2,801</u>	<u>—</u>	<u>2,677</u>
As of 31 August 2016	<u>8,698</u>	<u>5</u>	<u>8,579</u>

In light of the above, the following table sets forth the net amount of deferred income tax liabilities and assets as shown in our combined balance sheets as of 31 March 2015, 2016 and 2017 and 31 August 2017:

	As of 31 March			As of 31 August 2017
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred income tax (liabilities)/assets . . .	<u>(595)</u>	<u>(274)</u>	<u>185</u>	<u>510</u>

During the year ended 31 March 2017 and five months ended 31 August 2017, depreciation allowance in relation to the machinery and equipment claimed for tax purpose exceeded the depreciation charged to the profit or loss, resulted in a temporary difference and tax loss. Accordingly,

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the temporary difference due to the accelerated tax depreciation were recognised as deferred income tax liabilities of HK\$6.2 million, HK\$10.3 million and HK\$12.0 million, whilst the tax losses were recognised as deferred income tax assets of HK\$5.9 million, HK\$10.5 million and HK\$12.5 million as of 31 March 2016, 2017 and as of 31 August 2017, respectively.

Cash and cash equivalent and restricted bank balances

The following table sets forth the cash and cash equivalent and restricted bank balances as of 31 March 2015, 2016 and 2017 and 31 August 2017:

	As of 31 March			As of 31 August 2017
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at bank	28,509	44,322	51,126	42,001
Cash on hand	110	112	112	112
Less: restricted bank balances	—	<u>(16,800)</u>	<u>(16,817)</u>	<u>(16,817)</u>
Total	<u>28,619</u>	<u>27,634</u>	<u>34,421</u>	<u>25,296</u>

Our cash and bank balances are denominated in HK\$. As of 31 March 2016, 2017 and as of 31 August 2017, restricted bank balances consist of a deposit of HK\$16.8 million, HK\$16.8 million and HK\$16.8 million, respectively, for a bank to issue a surety bond in respect of our foundation project.

Trade and retention payables

Our trade and retention payables mainly comprise payables to our sub-contractors for our foundation projects and suppliers of construction materials, machinery spare parts, fuels and transportation service. Other payables mainly represent accruals and other payables for machinery, wages and other costs. We also retain retention money from our sub-contractors at an agreed rate of each interim payment made to us and up to an agreed maximum limit in some cases. The following table sets forth an analysis of our trade and retention receivables as of 31 March 2015, 2016 and 2017 and 31 August 2017:

	As of 31 March			As of 31 August 2017
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	6,495	35,244	56,606	35,618
Retention payables	<u>10,634</u>	<u>13,058</u>	<u>11,991</u>	<u>12,033</u>
Trade and retention payables	17,129	48,302	68,597	47,651
Other payables and accruals	<u>797</u>	<u>7,687</u>	<u>15,913</u>	<u>6,087</u>
Total	<u>17,926</u>	<u>55,989</u>	<u>84,510</u>	<u>53,738</u>

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The increase in the balance of trade payables was primarily due to the un-settled balance as evidenced in the invoices submitted by our sub-contractors and vendors. None of these amounts were overdue. There was also an amount due for the purchase price of our new machinery.

The following table sets forth the ageing analysis of our trade payables based on invoice date as of 31 March 2015, 2016 and 2017 and 31 August 2017:

	As of 31 March			As of
	2015	2016	2017	31 August 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1 to 30 days.....	6,495	35,244	56,075	31,484
31 to 60 days.....	—	—	273	—
61 to 90 days.....	—	—	—	4,119
More than one year	—	—	258	15
Total	<u>6,495</u>	<u>35,244</u>	<u>56,606</u>	<u>35,618</u>

Our retention payables are treated as our current liabilities, and the following table sets forth ageing analysis of our retention payables as of 31 March 2015, 2016 and 2017 and 31 August 2017:

	As of 31 March			As of
	2015	2016	2017	31 August 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 year.....	9,735	9,151	5,808	7,053
Between 1 and 3 years.....	899	3,907	6,183	4,980
Total	<u>10,634</u>	<u>13,058</u>	<u>11,991</u>	<u>12,033</u>

The following table sets forth the turnover days of our trade payables during the Track Record Period:

	Year ended 31 March			Five months ended
	2015	2016	2017	31 August 2017
Trade payables turnover days ^(Note)	<u>7.7 days</u>	<u>28.6 days</u>	<u>77.9 days</u>	<u>67.4 days</u>

Note:

Our trade payables turnover days for the Track Record Period equal to the average trade payables divided by cost of sales for the relevant year and multiplied by the number of days in the relevant year/period. Our average trade payables equal to the average of our trade payables at the beginning and the end of the relevant year/period.

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Our average trade payables turnover days were 7.7 days, 28.6 days, 77.9 days and 67.4 days for the Track Record Period, respectively. The average trade payables turnover days indicates the average number of days that we settle the payments to our suppliers or subcontractors.

The increase in trade payables turnover days from 7.7 days for the year ended 31 March 2015 to approximately 28.6 days for the year ended 31 March 2016 was principally attributable to the timing difference in collection of payments from our customers and the settlement of the payments to our subcontractors for three targeted foundation projects (the Mid-Levels project, the Tuen Mun 1 project and the Yuen Long 1 project). While our billings issued to our customers for certified works were substantially settled before the 31 March 2016, the billing issued from our sub-contractors for certified works were substantially settled by us in April 2016. As a result, relatively large balance of trade payables was resulted as of 31 March 2016, leading to an increase in trade payables turnover days.

The increase in trade payables turnover days from 28.6 days for the year ended 31 March 2016 to approximately 77.9 days for the year ended 31 March 2017 was primarily due to the increasing balance of trade payables, resulted from large balance of bills issued from our sub-contractors for certified work during the first quarter in 2017. The increase is in line with the increase in trade receivable turnover days.

The decrease in trade payables turnover days from 77.9 days for the year ended 31 March 2017 to approximately 67.4 days for the five months ended 31 August 2017 was primarily due to the increase in cost of sales which is in line with the increase in revenue for the relevant period.

As of 31 October 2017, an aggregate amount of HK\$33.9 million, or 95.3%, of our trade payables as of 31 August 2017 had been settled.

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Borrowings

The following table sets forth our borrowings as of 31 March 2015, 2016 and 2017 and 31 August 2017:

	As of 31 March			As of
	2015	2016	2017	31 August 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current				
Long-term bank borrowings	812	—	—	—
Finance lease liabilities	—	13,965	29,181	23,028
	<u>812</u>	<u>13,965</u>	<u>29,181</u>	<u>23,028</u>
Current				
Current portion of long-term bank borrowings due for repayment within one year	1,105	—	—	—
Current portion of long-term bank borrowings due for repayment within one year which contain a repayment on demand clause	1,592	—	—	—
Long-term bank borrowings due after one year which contain a repayment on demand clause	16,158	—	—	—
Short-term bank borrowings	7,572	—	8,190	24,184
Finance lease liabilities	—	11,214	21,142	18,613
	<u>26,427</u>	<u>11,214</u>	<u>29,332</u>	<u>42,797</u>
Total	<u><u>27,239</u></u>	<u><u>25,179</u></u>	<u><u>58,513</u></u>	<u><u>65,825</u></u>

Based on the scheduled repayment terms set forth in the loan agreements and ignoring the effect of any repayment on demand clause, the maturity of bank borrowings would be as follows:

	As of 31 March			As of
	2015	2016	2017	31 August 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 year	10,269	—	8,190	24,184
Between 1 and 2 years	7,560	—	—	—
Between 2 and 5 years	9,410	—	—	—
Total	<u><u>27,239</u></u>	<u><u>—</u></u>	<u><u>8,190</u></u>	<u><u>24,184</u></u>

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An analysis of our finance lease liabilities as of 31 March 2015, 2016 and 2017 and 31 August 2017 is as follows:

	As of 31 March			As of 31 August 2017
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Gross finance leases — minimum lease payments				
Within 1 year	—	12,450	23,105	20,117
Between 1 and 2 years	—	12,512	12,854	10,285
Between 2 and 5 years	—	2,230	18,034	13,929
	—	27,192	53,993	44,331
Future finance charges on finance leases	—	(2,013)	(3,670)	(2,690)
Present value of finance lease liabilities	—	25,179	50,323	41,641

All of our borrowings are denominated in Hong Kong dollars and are subject to floating interest rates. The following table set forth the weighted average interest rates of our borrowings as of 31 March 2015, 2016 and 2017 and 31 August 2017:

	As of 31 March			As of 31 August 2017
	2015	2016	2017	2017
	(%)	(%)	(%)	(%)
Long-term bank loans	2.60	—	—	—
Short-term bank loans	2.82	—	2.09	3.28
Finance lease liabilities	—	5.15	5.53	4.14

As of 31 March 2015, the bank borrowings were secured by our motor vehicles of net book value of HK\$1.5 million and a property held by the spouse of Mr. CHOW together with personal guarantee from Mr. CHOW. Such borrowings had been settled in 2016.

As of 31 August 2017, the bank borrowings were guaranteed by Vicon Construction and Vicon Machinery and the personal guarantee provided by Mr. CHOW and Mr. TSANG. These personal guarantees will be released and replaced by corporate guarantees provided by the Company before or upon Listing.

As of 31 August 2017, the finance lease liabilities of our Group from two licensed banks in Hong Kong are secured by the personal guarantee of Mr. CHOW and Mr. TSANG. One of the banks has confirmed in writing that it will release the personal guarantee of Mr. CHOW and Mr. TSANG upon

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the Listing. Such guarantee will be replaced by the corporate guarantee of our Company. The other bank has confirmed in writing that that it will release the personal guarantee of Mr. CHOW and Mr. TSANG upon the Listing on the condition that the adjusted net tangible assets would not be less than HK\$80.0 million. Based on the information currently available to them, our Directors believe that we should be able to satisfy this requirement.

Amount due from Directors

As of 31 March 2015, 2016, 2017 and 31 August 2017, the amounts were unsecured, interest-free and had no fixed terms of repayment. These amounts are non-trade in nature.

Our Directors confirm that the amount due from the directors, if any, is non-trade nature.

The following table sets forth the balance of the amount due from Directors as of 31 March 2015, 2016, 2017 and as of 31 August 2017:

Name of director	Total amount payable	Outstanding/ aggregate amount as of the beginning of the year	Outstanding/ aggregate amount as of the end of the year	Maximum outstanding during the year
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As of 31 March 2015:				
<u>Quasi-loans or credit transactions:</u>				
Mr. CHOW	66,670	—	66,670	66,670
Mr. TSANG	12,367	10,344	12,367	12,367
	<u>79,037</u>	<u>10,344</u>	<u>79,037</u>	<u>79,037</u>
As of 31 March 2016:				
<u>Quasi-loans or credit transactions:</u>				
Mr. CHOW	7,086	66,670	7,086	66,670
Mr. TSANG	9,334	12,367	9,334	12,367
	<u>16,420</u>	<u>79,037</u>	<u>16,420</u>	<u>79,037</u>
As of 31 March 2017:				
<u>Quasi-loans or credit transactions:</u>				
Mr. CHOW	—	7,086	—	7,086
Mr. TSANG	—	9,334	—	9,334
	<u>—</u>	<u>16,420</u>	<u>—</u>	<u>16,420</u>
As of 31 August 2017:				
<u>Quasi-loans or credit transactions:</u>				
Mr. CHOW	—	—	—	<u>(23,300)</u>

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During the Track Record Period, there was no provision made in respect of any failure or anticipated failure to repay the whole or part of the loan, quasi-loan or credit transaction, or to pay the whole or part of any interest or otherwise on the loan, quasi-loan or credit transaction.

OPERATING LEASE

All leases are on a fixed repayment basis and no arrangements have been made for contingent rental payments.

The future aggregate minimum lease rental expenses in respect of office and quarters for directors under non-cancellable operating leases are as follows:

	As of 31 March			As of
	2015	2016	2017	31 August 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
No later than one year	1,724	950	1,976	1,646
Later than one year and no later than five years	500	—	519	6
Total	<u>2,224</u>	<u>950</u>	<u>2,495</u>	<u>1,652</u>

CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

Capital expenditure

Historical

Our capital expenditure primarily relates to the purchase of plant and machinery. We have funded our historical capital expenditure through cash flows generated from operating activities and bank borrowings. The following sets forth our capital expenditure for during the Track Record Period (with comparative figures for the five months ended 31 August 2016):

	Years ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Machinery	—	72,865	62,331	24,562	164

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Planned

We intend to fund our planned capital expenditures through a combination of the net proceeds from the Share Offer and the cash flows generated from our operating activities. Save as disclosed in the section headed “Reasons for the Listing, Future Plans and Proposed Use of Net Proceeds from the Share Offer” in this prospectus, we have no other planned capital expenditure.

Capital commitments

Save as the operating lease and finance lease commitments, we did not have any capital commitments as of 31 March 2015, 2016 and 2017 and 31 August 2017.

RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties at terms mutually agreed by both parties:

Significant related party transactions

Information on transactions between our Group and our related parties, save as disclosed elsewhere in the this section, is as follows:

Balances

	As of 31 March			As of 31 August 2017
	2015	2016	2017	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Receivables from related parties:				
- Amounts due from directors	<u>79,037</u>	<u>16,420</u>	<u>—</u>	<u>—</u>

Notes:

- (1) Amount due to directors represent loans from directors. The loans were non-trade nature, unsecured, interest free, repayable on demand and denominated in HK\$.

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INDEBTEDNESS

Loans and borrowings

The following sets forth an analysis of our outstanding loans and borrowings as of 31 March 2015, 2016 and 2017, 31 August 2017 and 31 October 2017:

	As of 31 March			As of 31 August 2017	As of 31 October 2017
	2015	2016	2017	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)
Non-current					
Long-term bank borrowings	812	—	—	—	—
Finance lease liabilities	<u>—</u>	<u>13,965</u>	<u>29,181</u>	<u>23,028</u>	<u>21,404</u>
	<u>812</u>	<u>13,965</u>	<u>29,181</u>	<u>23,028</u>	<u>21,404</u>
Current					
Current portion of long-term bank borrowings due for repayment within one year	1,105	—	—	—	—
Current portion of long-term bank borrowings due for repayment within one year or contain a repayment on demand clause	1,592	—	—	—	—
Long-term bank borrowings due after one year and contain a repayment on demand clause	16,158	—	—	—	—
Short-term bank borrowings	7,572	—	8,190	24,184	32,078
Finance lease liabilities	<u>—</u>	<u>11,214</u>	<u>21,142</u>	<u>18,613</u>	<u>16,718</u>
	<u>26,427</u>	<u>11,214</u>	<u>29,332</u>	<u>42,797</u>	<u>48,796</u>
Total	<u><u>27,239</u></u>	<u><u>25,179</u></u>	<u><u>58,513</u></u>	<u><u>65,825</u></u>	<u><u>70,200</u></u>

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The following sets forth the weighted average interest rates of bank loans and other borrowings as of 31 March 2015, 2016 and 2017, 31 August 2017 and 31 October 2017:

	As of 31 March			As of 31 August 2017	As of 31 October 2017
	2015	2016	2017	2017	2017
	(%)	(%)	(%)	(%)	(%)
Long-term bank loans	2.60	—	—	—	—
Short-term bank loans	2.82	—	2.09	3.28	3.77
Finance lease liabilities	—	5.15	5.53	4.14	4.08

We expect to seek and to be able to obtain bank loans and other borrowings on terms similar to the bank loans and other borrowings that we secured and utilised during the Track Record Period. We expect cash generated from operating activities to be used primarily for general working capital, purchase of raw materials as well as repay the existing bank loans and other borrowings. The finance lease liabilities of HK\$50.3 million as of 31 March 2017 were used for the purchase of machinery.

As of the Latest Practicable Date, banking facilities were granted to Vicon Construction in respect of the specific projects, with an aggregate amount of HK\$79.6 million, of which HK\$6.4 million had not been utilised. Pursuant to the terms and conditions, the banking facilities can only be used for project-specific financing for sourcing suppliers, payments to sub-contractors and the performance bonds required by the property developers or project owners. Such banking facilities are stand-alone facilities which will be terminated upon the completion of the foundation projects specified in the relevant facility letters. Also, these banking facilities cannot be utilised by us for other foundation projects.

The banking facilities in the total amount of HK\$49.3 million currently used by us are secured by three fixed charges on the designated account receivables and collection accounts with an aggregate outstanding amount of HK\$8.8 million as of 31 August 2017. The fixed charges have been registered with the Companies Registry since 11 July 2017.

We confirm that there had been no material change in our indebtedness position since 31 October 2017, being the date for determining our indebtedness.

Contingent liabilities

Except as disclosed in above and other than intra-group liabilities disclosed in the prospectus, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, debentures, mortgage, charges, finance leases, liabilities under acceptance credits (other than normal trade-related bills), hire purchase commitment, guarantees or other material contingent liabilities as of the Latest Practicable Date. As of the same date, we had not guaranteed the indebtedness of any Independent Third Parties.

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OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we did not have any material off-balance sheet arrangements or contingencies except as disclosed in the paragraphs under “Capital commitments” and “Indebtedness” above.

KEY FINANCIAL RATIOS

	Notes	Year ended 31 March			Five months ended 31 August 2017
		2015	2016	2017	
Gross profit margin (%) . . .	(1)	12.9	17.7	18.4	14.7
Net profit margin (%)	(2)	9.4	9.6	11.5	4.7
Return on equity (%)	(3)	36.4	30.3	22.8	4.2
Return on total assets (%) .	(4)	18.3	15.9	10.8	2.2

	Notes	As of 31 March			As of 31 August 2017
		2015	2016	2017	
Gearing ratio (%)	(5)	38.1	24.6	44.1	47.5
Current ratio (times)	(6)	1.9	1.5	1.3	1.4

Notes:

- (1) Gross profit margin is calculated based on the gross profit for each reporting year divided by total revenue for each reporting year and multiplied by 100%.
- (2) Net profit margin is calculated based on the net profit for each reporting year divided by total revenue for each reporting year and multiplied by 100%.
- (3) Return on equity is calculated based on our net profit for each reporting year divided by equity attributable to our Shareholders as of the end of each reporting year and multiplied by 100%.
- (4) Return on total assets is calculated based on our net profit for each reporting year divided by total assets as of the end of each reporting year and multiplied by 100%.
- (5) Gearing ratio is calculated based on our bank borrowings and other borrowings divided by total equity as of the end of each reporting year and multiplied by 100%.
- (6) Current ratio is calculated based on total current assets divided by the total current liabilities as of the end of each reporting year.

Further information on our gross profit margin and net profit margin during the Track Record Period is set forth in the paragraphs under “Our operating results” above.

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Return on equity

Our return on equity for the Track Record Period was 36.4%, 30.3%, 22.8% and 4.2%, respectively. As no dividends were declared/paid during the Track Record Period, the decrease was mainly attributable to the increases in equity due to the profits generated from the Track Record Period.

Return on total assets

The return on total assets during the Track Record Period was 18.3%, 15.9%, 10.8% and 2.2%, respectively. Our return on total assets decreased from 18.3% as of 31 March 2015 to 15.9% as of 31 March 2016, to 10.8% as of 31 March 2017 and further decrease to 2.2% as of 31 August 2017, which was mainly attributable to the increase in balance of machinery and equipment due to the purchase of machinery in as of 31 March 2016 and as of 31 March 2017 while our net profit remained relatively stable and the listing expenses incurred for the two years ended 31 March 2017 and the five months ended 31 August 2017.

Gearing ratio

Our decrease in gearing ratio from 38.1% as of 31 March 2015 to 24.6% as of 31 March 2016 was mainly attributable to the repayment of the mortgage loan of HK\$17.8 million during the year ended 31 March 2016 and the increase in equity contributed by the profit generated during the year ended 31 March 2016, partly offset by the increase in borrowings due to the purchase of machinery during the year ended 31 March 2016.

The increase in gearing ratio from 24.6% as of 31 March 2016 to 44.1% as of 31 March 2017 was mainly attributable to the increase in borrowings due to the purchase of machinery in the year, partly offset by the increase in equity contributed by the profit generated during the year ended 31 March 2017. The increase in gearing ratio from 44.1% as of 31 March 2017 to 47.5% as of 31 August 2017 was mainly attributable to the increase in borrowings to finance the increased scale of business operation.

Current ratio

As of 31 March 2015, 2016, 2017 and 31 August 2017, the current ratio was 1.9, 1.5, 1.3 and 1.4, respectively. Our current ratio decreased from 1.9 as of 31 March 2015 to 1.5 as of 31 March 2016, and further decreased to 1.3 as of 31 March 2017 and remained stable at 1.4 as of 31 August 2017, which was mainly attributable to the increase in borrowings (both short term and long term) due to the purchase of machinery during the two years ended 31 March 2017. The current ratio remained stable as there was no significant purchase of machinery during the five months ended 31 August 2017.

FINANCIAL INFORMATION

MARKET RISKS

Financial risk factors

Our activities expose us to a variety of financial risk: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. Our overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on our financial performance.

Risk management is carried out under policies approved by our Directors. Our Directors provide principles for an overall risk management, as well as policies covering specific areas.

Market risk

(i) Foreign exchange risk

We operate in Hong Kong with most of the transactions denominated in Hong Kong dollars. The exposure to foreign exchange risk is not material to us.

(ii) Interest rate risk

We are exposed to interest rate risk as borrowings are carried at variable rates. It is our policy to maintain our borrowings subject to floating rates, and accordingly, we have not used any interest rate swaps to hedge its exposure to interest rate risk.

As of 31 March 2015, 2016, 2017 and as of 31 August 2017, if the interest rates on borrowings had been 100 basis-points higher/lower with all other variables held constant, pre-tax profit for the year would be HK\$272,000, HK\$252,000, HK\$585,000 and HK\$274,000 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

Credit risk

We are exposed to credit risk in relation to its cash and cash equivalents, trade and retention receivables, deposits and other receivables, and amounts due from directors. Our maximum exposure to credit risk is the carrying amounts of these financial assets.

As of 31 March 2015, 2016, 2017 and as of 31 August 2017, we had concentration of credit risk as 100%, 100%, 83.6% and 77.0% of the total trade and retention receivables were due from our two, three and three customers, respectively.

To manage this risk, management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of each individual trade and retention receivable to ensure that adequate impairment provision is made for the irrecoverable amounts. We will also consider the creditworthiness and general reputation of customers before submitting any indication of interest or tender.

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The credit quality of the amounts due from directors has been assessed with reference to historical information about the counterparty default and financial position of the counterparty. Management does not believe the credit risk in relation to the related parties are significant, considering the existing related parties do not have defaults in the past and management does not expect any losses from non-performance by these related parties.

Liquidity risk

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

We maintain liquidity by a number of sources including orderly realisation of receivables and certain assets that we consider appropriate and long term financing including long-term borrowings are also considered by us in our capital structuring. We aim to maintain flexibility in funding by keeping sufficient bank balances and interest bearing borrowings which enable us to continue its business for the foreseeable future.

The table below analyses our financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the year-end date). Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	<u>On demand</u>	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Total</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As of 31 March 2015					
Bank borrowings (including those subject to a repayment on demand clause)	25,322	1,172	761	73	27,328
Interest payment on borrowings	—	360	847	—	1,207
Trade and retention payables	—	16,230	899	—	17,129
Other payables and accruals	—	797	—	—	797
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
As of 31 March 2016					
Finance lease liabilities	—	12,450	12,512	2,230	27,192
Trade and retention payables	—	44,395	3,907	—	48,302
Other payables and accruals	—	7,687	—	—	7,687
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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	On demand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As of 31 March 2017					
Bank borrowings (including those subject to a repayment on demand clause)	8,190	—	—	—	8,190
Finance lease liabilities	—	23,105	12,854	18,034	53,993
Trade and retention payables . . .	—	62,156	6,441	—	68,597
Other payables and accruals	—	15,913	—	—	15,913
	<u>8,190</u>	<u>101,174</u>	<u>19,295</u>	<u>18,034</u>	<u>145,693</u>
As of 31 August 2017					
Bank borrowings (including those subject to a repayment on demand clause)	15,410	8,774	—	—	24,184
Interest payment on borrowings . .	—	222	—	—	222
Finance lease liabilities	—	20,117	10,285	13,929	44,331
Trade and retention payables . . .	—	42,656	4,995	—	47,651
Other payables and accruals	—	6,087	—	—	6,087
	<u>15,410</u>	<u>77,656</u>	<u>15,285</u>	<u>13,929</u>	<u>122,280</u>

The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account our financial position, our Directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. Our Directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Maturity Analysis - Term loan subject to repayment on demand clause based on scheduled repayments

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As of 31 March 2015					
Bank borrowings	<u>9,677</u>	<u>1,988</u>	<u>5,966</u>	<u>9,983</u>	<u>27,614</u>
As of 31 March 2016					
Bank borrowings	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
As of 31 March 2017					
Bank borrowings	<u>8,330</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>8,330</u>
As of 31 August 2017					
Bank borrowings	<u>15,552</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>15,552</u>

FINANCIAL INFORMATION

Capital risk management

Our objectives when managing capital are to safeguard our ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Our capital structure consists of equity and borrowings. In order to maintain or adjust the capital structure, we may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce borrowings. We monitor capital on the basis of gearing ratio. The gearing ratio is calculated as total borrowings divided by total equity.

As of 31 March 2015, 2016 and 2017 and 31 August 2017, the gearing ratios were as follows:

	As of 31 March			As of
	2015	2016	2017	31 August 2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total borrowings	27,239	25,179	58,513	65,825
Total equity	71,435	102,501	132,689	138,508
Gearing ratio	<u>38%</u>	<u>25%</u>	<u>44%</u>	<u>48%</u>

LISTING EXPENSES

Assuming that the Over-allotment Option is not exercised, the total amount of expenses incurred for the Listing is estimated to be HK\$37.0 million (based on the mid-point of the indicative range of the Offer Price of HK\$1.1), of which HK\$8.1 million, HK\$3.0 million and HK\$4.5 million had been charged to our profit or loss for the two years ended 31 March 2017 and the five months ended 31 August 2017, respectively, and HK\$12.4 million is expected to be charged to our profit or loss for the seven months ending 31 March 2018 and HK\$9.0 million is expected to be accounted for as a deduction from equity upon the Listing.

Our Directors consider that our operating results will be affected by such expenses. Accordingly, the financial performance for the year ending 31 March 2018 is expected to be affected by these expenses in relation to the Listing.

DIVIDENDS

We did not declare and pay any dividend during the Track Record Period and hence, there was no dividend pay-out ratio. No dividend was declared and paid during Track Record Period and no dividend policy was adopted by us up to Latest Practicable Date. After completion of the Share Offer and the Capitalisation Issue, our Shareholders will be entitled to receive dividends declared by our Company.

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Any amount of dividends to be declared and paid by our Company will be at the discretion of our Directors taking into consideration our future operations and earnings, our business development, capital requirements and surplus, general financial conditions, contractual restrictions and such other factors as our Directors consider appropriate. Any declaration and payment as well as the amount of dividends will be subject to the Articles and the Cayman Companies Law. Any declaration of final dividends will also require the approval of our Shareholders in general meeting. No dividend shall be declared or paid except out of our distributable profit and lawfully available for distribution under the Cayman Companies Law.

As we are a holding company, our ability to declare and pay dividends will depend on the availability of dividends received from our subsidiaries. Distributions from our subsidiaries may also be restricted if they incur debt or losses or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

DISTRIBUTABLE RESERVE

Our reserves available for distribution to Shareholders consist of share premium and retained earnings. Under the Cayman Companies Law and subject to compliance with the Articles, the share premium account may be applied by our Company for paying distributions of dividends to our Shareholders if immediately following the date on which the distribution or dividend is proposed to be paid, we will be able to pay off our debts as they fall due in the ordinary course of business. As of 31 August 2017, our Company had no reserve which is available for distribution to our Shareholders.

UNAUDITED PRO FORMA NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of our Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Share Offer on the net tangible assets of our Group attributable to the equity holders of our Company as of 31 August 2017 as if the Share Offer had taken place on 31 August 2017.

The unaudited pro forma statement of adjusted net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group as of 31 August 2017 or at any future dates following the Share Offer. The unaudited pro forma statement of adjusted net tangible assets of our

FINANCIAL INFORMATION

Group is based on the audited combined net tangible assets of our Group attributable to the equity holders of our Company as of 31 August 2017 as set forth in the Accountant’s Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets of our Group attributable to the equity holders of our Company as of 31 August 2017 ⁽¹⁾	Estimated net proceeds from the Share Offer ⁽²⁾	Unaudited pro forma adjusted net tangible assets of our Group attributable to the equity holders of the Company as of 31 August 2017	Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾
	HK\$’000	HK\$’000	HK\$’000	HK\$
Based on the Offer Price of HK\$1.00 per Share	<u>138,508</u>	<u>78,893</u>	<u>217,401</u>	<u>0.54</u>
Based on the Offer Price of HK\$1.20 per Share	<u>138,508</u>	<u>98,393</u>	<u>236,901</u>	<u>0.59</u>

Notes:

- (1) The audited combined net tangible assets of our Group attributable to the equity holders of our Company as of 31 August 2017 is extracted from the Accountant’s Report, the text of which is set forth in Appendix I to this prospectus, which is based on the audited combined net assets of our Group attributable to the equity holders of our Company as of 31 August 2017 of HK\$138,508,000.
- (2) The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$1.00 and HK\$1.20 per Share, respectively, after deduction of the underwriting fees and other related expenses (excluding Listing expenses of HK\$15.6 million which have been accounted for prior to 31 August 2017) payable by our Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option any option(s) which may be granted under the Share Option Scheme and any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate (the “**General Mandate**”) to allot and issue our Shares and the repurchase mandate (the “**Repurchase Mandate**”) to repurchase our Shares, respectively.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in note 2 above and on the basis that 400,000,000 Shares were in issue assuming that the Share Offer and the Capitalisation Issue had been completed on 31 August 2017 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option, any option which may be granted under the Share Option Scheme and any Shares which may be allotted and issued or repurchased by our Company pursuant to the General Mandate and the Repurchase Mandate, respectively.
- (4) No adjustment has been made to reflect any trading result or other transactions of our Group entered into subsequent to 31 August 2017.

NO DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that, as of the Latest Practicable Date, there were no circumstances which would have given rise to any disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules had our Shares been listed on the Stock Exchange on that date.

REASONS FOR THE LISTING, FUTURE PLANS AND PROPOSED USE OF NET PROCEEDS FROM THE SHARE OFFER

REASONS FOR THE LISTING

Our business objective is to become an established foundation contractor in Hong Kong private and public sectors with the focus on design-and-build foundation projects. Our Directors believe that the Listing will facilitate the implementation of our business strategies as stated in the section headed “Business — Our business strategies” in this prospectus and will expand our market share in the foundation industry. Our Directors further believe that the Listing is beneficial to our Company and our Shareholders as a whole notwithstanding the substantial amount of Listing expenses because of the following reasons:

- A listing status on the Stock Exchange can enhance our corporate profile and business reputation, particularly most of our competitors have been listed or are in the process of apply for listing on the Stock Exchange. Our Directors believe that a number of property developers may prefer to engage listed companies as main contractors for sizeable foundation projects.
- Most of our cash generated from business operation were used on financing our business operations. With the business strategy of securing foundation projects as main contractor, we will need substantial amount of financial resources to support our business growth and our purchase of the required machinery and the maintenance of good financial standing for the purchase of surety bonds which are one of the requirements for tendering foundation projects in the role of main contractor.
- A listing status on the Stock Exchange allows us to retain and attract experienced and qualified employees. As part of our business strategies, we plan to expand our in-house design team by increasing the number of professional qualified engineers and quantity surveyors. Following the Listing, we may offer our employees share options under the Share Option Scheme as incentives. With the continuous growth of our business, trading prices of our Shares are expected to reflect the intrinsic value of our Company and benefit the grantees under the Share Option Scheme.
- Our Directors have also considered other means of financing, but believe that those other means should not be used to support our long-term business growth. A high gearing ratio would not be entirely favourable to us as a foundation contractor as the amount involved in each foundation project is significant. A strong asset base is important for us to continue to secure foundation projects as main contractor.
- Our Company could establish an efficient and sustainable fund-raising platform through the Listing, thereby enabling us to gain direct access to the capital market to fund our existing operations and future expansion.
- Throughout the preparation for the Listing, we have strengthened our corporate governance and internal control systems. These will facilitate the healthy development of our Group in the complicated regulatory industry environment.

REASONS FOR THE LISTING, FUTURE PLANS AND PROPOSED USE OF NET PROCEEDS FROM THE SHARE OFFER

FUTURE PLANS

Further information on our future plans and business strategies is set forth in the section headed “Business — Our business strategies” in this prospectus.

PROPOSED USE OF NET PROCEEDS FROM THE SHARE OFFER

The aggregate amount of net proceeds from the Share Offer (after deducting underwriting fees and estimated expenses in connection with the Share Offer and assuming the Offer Price of HK\$1.1 for each Share, being the mid-point of the indicative range of the Offer Price and assuming the Over-allotment Option is not exercised) will be HK\$73.0 million. The total Listing expenses of HK\$37.0 million will be borne by us. The following table sets forth the estimated amount of net proceeds from the Share Offer:

	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
Based on the Offer Price of HK\$1.0 (being the low-end of the indicative range of the Offer Price)	HK\$63.3 million	HK\$77.9 million
Based on the Offer Price of HK\$1.1 (being the mid-point of the indicative range of the Offer Price)	HK\$73.0 million	HK\$89.1 million
Based on the Offer Price of HK\$1.2 (being the high-end of the indicative range of the Offer Price)	HK\$82.7 million	HK\$100.3 million

We currently intend to apply the net proceeds from the Share Offer of HK\$73.0 million (based on the mid-point of the indicative range of the Offer Price and assuming the Over-allotment Option is not exercised) for the following purposes:

- HK\$30.0 million, or 41.0% of the total net proceeds from the Share Offer, will be used for financing the issue of surety bonds.

The amount required to maintain surety bonds is based on (a) information on the awarded foundation projects as of the Latest Practicable Date and (b) potential foundation projects that may be secured by us as main contractor in the two years ending 31 March 2019. Our Directors believe that this amount can be fully utilised for the purpose because of the following reasons:

- (a) During the Track Record Period and up to September 2017, we have been required to purchase and maintain five surety bonds in the total amount of HK\$29.0 million for the foundation projects awarded to us, namely Tuen Mun 1 project, Tuen Mun 5 project, Tuen Mun 6 project and Wanchai 1 project. All of these surety bonds are either financed by our internal financial resources or the available bank facilities.

REASONS FOR THE LISTING, FUTURE PLANS AND PROPOSED USE OF NET PROCEEDS FROM THE SHARE OFFER

- (b) Our Directors refer to (i) the amount of surety bonds and (ii) the percentage of the amount of surety bonds to the total contract sum required to be maintained by the main contractors in the foundation projects undertaken by us. Our Directors expect that the total contract sum of the potential foundation projects would be not less than HK\$500.0 million. Assuming that the amount of the surety bonds required is 10.0% of the total contract sum, surety bonds of not less than HK\$50.0 million would be required. We plan to finance this amount as to HK\$30.0 million out of the net proceeds from the Share Offer and as to HK\$20.0 million out of our internal financial resources.

Based on information in public domain, e.g. land auction news, annual reports/interim reports/investor relation information of listed companies, our Directors have identified five potential foundation projects which may be secured by us as main contractor in the two years ending 31 December 2019. These potential foundation projects are developed by medium-size property developers in Hong Kong with the estimated aggregate gross floor area and the aggregate contract sum expected to be not less than 100,000 sq.m and HK\$500 million, respectively. Our Directors believe that we have the competitive advantages in securing these potential foundation projects because some of these potential projects involve landscape and/or geological condition similar to the foundation projects undertaken by us during the Track Record Period and we have worked with the property developers and are on their approved list of contractors.

Our Directors consider that we have fairly good chance to secure a potential foundation project, out of the five potential foundation projects highlight above, of an estimated contract sum of HK\$250 million because (i) it is expected to be a design-and-build project where the landscape and/or geological condition of the construction site are similar to one of our current foundation projects; (ii) we have worked with the property developer in similar foundation project; and (iii) the property developer has issued a letter of expression of interest to tender and a letter of tender invitation in respect of this potential foundation project to us in October 2017 with the required amount of surety bond of HK\$25.0 million, representing 10.0% of the total contract sum. We plan to submit our tender in December 2017 and we expect the project to commence in the second quarter of 2018.

Although we have not received any tender invitation for the other four potential foundation projects, our Directors consider that we may be able to secure these foundation projects as main contractor because (i) we have a proven track record in undertaking and completing foundation projects efficiently and effectively using our own fleet of machinery and (ii) we have a capable management team which is recognised amongst our customers or perspective customers. We expect that these foundation projects also require surety bonds and therefore plan to use up to HK\$5.0 million out of the net proceeds from the Share Offer for financing surety bonds for these potential foundation projects with the remaining balance to be financed out of our internal financial resources.

REASONS FOR THE LISTING, FUTURE PLANS AND PROPOSED USE OF NET PROCEEDS FROM THE SHARE OFFER

Taking into consideration various bases and assumptions (which include, but without limitation to, we will be able to secure these foundation projects upon acceptable terms and conditions and within the anticipated time horizon) made by our Directors and in the absence of unforeseen circumstances beyond our control, our Directors believe that the projected revenue (the “**Projected Revenue**”) from the potential foundation projects will be not less than HK\$163.8 million in the year ending 31 March 2019^(Note).

(Note) While our Directors consider the bases and assumptions adopted in determining the Projected Revenue to be reasonable, whether actual results will meet our expectations will depend on risks and uncertainties over which we have no control. Under no circumstances should the inclusion of such information in this prospectus be regarded as a representation, warranty or prediction with respect to the accuracy of the underlying assumptions by our Directors, our Board, our Company, our Group or any of parties involved in the Share Offer and their respective directors, employees or advisers or that these results will be achieved or are likely to be achieved.

Prospective investors should not place undue reliance on the Projected Revenue that speak only as of the date of this prospectus and should exercise the highest caution in making any comparison as to the Projected Revenue and any of our historic financial results (whether contained in this prospectus or in Appendix I to this prospectus), given that the Projected Revenue (a) is not historical fact, (b) was determined solely based on the information available in the public domain, (c) was arrived at after taking into account of various bases and assumptions, which are inherently susceptible to any unforeseeable material changes or development in the future, highlighted in the paragraph above and (d) is subject to the materialisation of any of the risks set forth in the section headed “Risk Factors” in this Prospectus. Further information in this regard is also set forth in the section headed “Forward-looking Statements” in this prospectus.

If, for any reason(s), any of the potential foundation projects cannot be secured by us, we will use our best endeavours to identify and secure other foundation projects of comparable size and duration. We do not anticipate that such change would effect the planned use of net proceeds for financing the issue of surety bonds as the other property developers or project owners would also require us to maintain surety bonds based on a percentage of the total contract sum so long as we act as main contractor.

- (c) As confirmed by Ipsos and communicated with the relevant property developers or project owners for the potential foundation projects, our Directors believe that the listing status of our Company on the Stock Exchange could not replace the requirement for surety bonds. Our Directors further confirm, and Ipsos has agreed, that the issue of surety bonds in the construction industry is intended to secure the due performance and observance of the obligations and the quality of the work performed by contractors. This is a requirement which has been used by the construction industry in Hong Kong for many years. The surety bonds allow the property developer or project owner to have the right to deduct any amount attributable to quality issue of the construction work from the amount represented by the surety bond without going through the lengthy legal proceedings and other uncertainties involved in legal proceedings.

REASONS FOR THE LISTING, FUTURE PLANS AND PROPOSED USE OF NET PROCEEDS FROM THE SHARE OFFER

- HK\$15.4 million, or 21.1% of the total net proceeds from the Share Offer, will be used for the purchase of two sets of hydraulic drilling rigs to fulfil one of the admission requirements as an Approved Specialist Contractor of Public Work — Land Piling and one set of hydraulic drilling rig to increase our capability in Hong Kong private sector.

As stated in the section headed “Business — Service capacity” in this prospectus, our Directors confirm that it is not practicable to quantify the utilisation rate of the machinery and would be even more difficult to ascertain the future possible utilisation rate of the hydraulic drilling rigs which are to be acquired by us following the Listing. Nevertheless, these machines are generally required for piling works in almost all the foundation projects undertaken by us. In particular, the hydraulic drilling rigs are most suitable for some of our Group’s foundation projects on hand including Lantau 1 project, Southern 1 project, The Peak project, Tuen Mun 1 project and Tuen Mun 6 project which involved piling works. Furthermore, subsequent to the Track Record Period and up to September 2017, we do not have any machinery not being fully utilised in foundation projects. Hence, our Directors are not concerned about the utilisation of the machinery to be acquired.

Our Directors confirm that the expected useful lives of the machinery to be acquired by us is 10 years. The amount of annual depreciation is expected to amount to HK\$1.54 million, except for the amount charged in the two financial year ending 31 March 2019 and the two financial years ending 31 March 2029 amounting to HK\$0.1 million, HK\$1.1 million, HK\$1.4 million and HK\$0.4 million, respectively, due to the useful lifespan of the relevant machinery in the corresponding periods after their acquisition.

- HK\$12.3 million, or 16.9% of the total net proceeds from the Share Offer, will be used for early repayment of financial lease liabilities incurred for the purchase of cranes and oscillators which will be due for the full repayment in December 2021. An early repayment fee of HK\$0.15 million will be charged for the early repayment of bank loan. This amount is insignificant as compared with the interest saving of HK\$1.0 million.

REASONS FOR THE LISTING, FUTURE PLANS AND PROPOSED USE OF NET PROCEEDS FROM THE SHARE OFFER

- HK\$7.5 million, or 10.3% of the total net proceeds from the Share Offer, will be used for the expansion of our in-house design team by recruiting two senior qualified professional engineers, two assistant engineers, a quantity surveyor and an assistant quantity surveyor. Our Directors expect that the additional amount of salaries and allowance would be HK\$3.7 million and HK\$3.8 million for the two years ended 31 March 2020, respectively:

The desired experience and qualifications of our new positions are set forth below:

New positions	Required years of experience	Qualifications
1. Senior qualified professional engineers	10 years or above in managing foundation and site formation works	Member of Hong Kong Institution of Engineer in Civil or Structural Discipline or equivalent
2. Assistant engineers	Two years or above in foundation and site formation works	Bachelor degree in civil or structural engineering or equivalent
3. Quantity surveyor	10 years or above in managing quantity surveying issues (including 5 years' experience with main contractor)	Member of The Hong Kong Institute of Surveyors or equivalent
4. Assistant quantity surveyor	Two years or above in handling quantity surveying issues	Bachelor degree in quantity surveying or construction or related discipline

- HK\$0.5 million, or 0.7% of the total net proceeds from the Share Offer will be used to purchase the additional licensed rights of selected professional construction design and analytical computer software currently used by our Group, including Concrete Slab and Foundation Design Software “SAFE” and Software for Retaining Wall Analysis “frew”. Such purchase is necessary with the additional recruitment of new members of our in-house design team. The computer software will be used in formulating the design and preparing the technical drawing of the structured elements involved in foundation works.
- HK\$7.3 million, or 10.0% of the total net proceeds from the Share Offer, will be used for our working capital and other corporate purposes.

If the Offer Price is finally determined to be more than HK\$1.1 (being the mid-point of the indicative range of the Offer Price), the above proposed allocation of the net proceeds from the Share Offer will increase on a pro rata basis. If the Offer Price is less than the mid-point of the indicative range of the Offer Price, the above allocation of the net proceeds from the Share Offer will decrease on a pro rata basis.

REASONS FOR THE LISTING, FUTURE PLANS AND PROPOSED USE OF NET PROCEEDS FROM THE SHARE OFFER

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds to be received by us, after deducting underwriting fees and estimated expenses payable by us, will be (i) HK\$17.6 million, assuming the Offer Price is determined at high-end of the indicative range of the Offer Price, being HK\$1.20; (ii) HK\$16.1 million, assuming the Offer Price is determined at the mid-point of the indicative range of the Offer Price, being HK\$1.10; and (iii) HK\$14.6 million, assuming the Offer Price is determined at the low-end of the indicative range of the Offer Price, being HK\$1.00. Any additional proceeds received by us from the exercise of the Over-allotment Option will also be allocated to the above businesses and projects on a pro-rata basis.

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes or if we are unable to effect any of our future development plans as intended, we may hold such funds in short-term deposits with licenced banks and authorised financial institutions in Hong Kong for so long as it is considered in our best interests by our Directors.

DETAILED PLANS ON THE PROPOSED USE OF NET PROCEEDS

The following sets forth the detailed plans on the proposed use of net proceeds from the Share Offer:

From the Listing Date to 31 March 2018

<u>Business strategies</u>	<u>Proposed use of net proceeds from the Share Offer</u>
Explore business opportunities in Hong Kong public sector	— HK\$11.0 million, or 15.1% of the total net proceeds from the Share Offer, for purchase of machinery (including hydraulic drilling rig, air compressors, down-the-hole hammers and down-the-hole ring bit) for our proposed business expansion to foundation projects in Hong Kong public sector;
Develop and strengthen our role and our capability as main contractor	— HK\$12.3 million, or 16.9% of the total net proceeds from the Share Offer, for early repayment of financial lease liabilities incurred for the purchase of cranes and oscillators which will be due for the full repayment in December 2021 at the interest rate of 5.3%; and
General corporate and working capital purposes	— HK\$1.9 million, or 2.5% of the total net proceeds from the Share Offer, for our general working capital purpose.

REASONS FOR THE LISTING, FUTURE PLANS AND PROPOSED USE OF NET PROCEEDS FROM THE SHARE OFFER

From 1 April 2018 to 30 September 2018

Business strategies	Proposed use of net proceeds from the Share Offer
Develop and strengthen our role and our capability as main contractor	— HK\$25.0 million, or 34.2% of the total net proceeds from the Share Offer, for financing the issue of surety bonds for future foundation projects. Generally speaking, banks in Hong Kong will require deposit equivalent to an amount of not less than the amount of the surety bond which would represent 10.0% of the contract sum, and the use of the net proceeds from the Share Offer will enhance our capacity to take up new foundation projects by providing us with additional liquidity;
Focus on sizeable design-and-build projects	— HK\$2.0 million, or 2.8% of the total proceeds from the Share Offer, for (a) the expansion of our in-house design team by recruiting two senior qualified professional engineers, two assistant engineers, a quantity surveyor and an assistant quantity surveyor and (b) upgrading the functionality/end-user permissions of selected professional construction design and analytical software; and
General corporate and working capital purposes	— HK\$1.8 million, or 2.5% of the total net proceeds from the Share Offer for our general working capital purpose.

From 1 October 2018 to 31 March 2019

Business strategies	Proposed use of net proceeds from the Share Offer
Develop and strengthen our role and our capacity as main contractor	— HK\$4.4 million, or 6.0% of the total net proceeds from the Share Offer, for the purchase of hydraulic drilling ring for strengthening our capacity in undertaking foundation projects in Hong Kong private sector;
Focus on sizeable design-and-build projects	— HK\$2.2 million, or 3.0% of the total proceeds from the Share Offer, for the expansion of our in-house design team by recruiting two senior qualified professional engineers, two assistant engineers, a quantity surveyor and an assistant quantity surveyor; and
General corporate and working capital purposes	— HK\$1.8 million, or 2.5% of the total net proceeds from the Share Offer, for our general working capital purpose.

REASONS FOR THE LISTING, FUTURE PLANS AND PROPOSED USE OF NET PROCEEDS FROM THE SHARE OFFER

From 1 April 2019 to 30 September 2019

<u>Business strategies</u>	<u>Proposed use of net proceeds from the Share Offer</u>
Develop and strengthen our role and our capability as main contractor	— HK\$5.0 million, or 6.8% of the total net proceeds from the Share Offer, for financing the issue of surety bonds for future foundation projects. Generally speaking, banks in Hong Kong will require deposit equivalent to an amount of not less than the amount of the surety bond which would represent 10.0% of the contract sum, and the use of the net proceeds from the Share Offer will enhance our capacity to take up new foundation projects by providing us with additional liquidity;
Focus on sizeable design-and-build projects	— HK\$1.6 million, or 2.2% of the total proceeds from the Share Offer, for the expansion of our in-house design team by recruiting two senior qualified professional engineers, two assistant engineers, a quantity surveyor and an assistant quantity surveyor; and
General corporate and working capital purposes	— HK\$1.8 million, or 2.5% of the total net proceeds from the Share Offer, for our general working capital purpose.

From 1 October 2019 to 31 March 2020

<u>Business strategies</u>	<u>Proposed use of net proceeds from the Share Offer</u>
Focus on sizeable design-and-build projects	— HK\$2.2 million, or 3.0% of the total proceeds from the Share Offer, for the expansion of our in-house design team by recruiting two senior qualified professional engineers, two assistant engineers, a quantity surveyor and an assistant quantity surveyor.

UNDERWRITING

HONG KONG UNDERWRITERS

Sun Securities (*Sole Bookrunner and Joint Lead Manager*)
Ping An Securities (*Joint Lead Manager*)
Ever-Long Securities (*Joint Lead Manager*)
Freeman Securities (*Joint Lead Manager*)
Oceanwide Securities (*Joint Lead Manager*)
Long Asia Securities (*Co-Lead Manager*)

INTERNATIONAL UNDERWRITERS

Sun Securities (*Sole Bookrunner and Joint Lead Manager*)
Ping An Securities (*Joint Lead Manager*)
Ever-Long Securities (*Joint Lead Manager*)
Freeman Securities (*Joint Lead Manager*)
Oceanwide Securities (*Joint Lead Manager*)
Long Asia Securities (*Co-Lead Manager*)

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Under the Hong Kong Underwriting Agreement, we are offering our Hong Kong Offer Shares for subscription by members of the public in Hong Kong at the Offer Price, on the terms and subject to the conditions of this prospectus and the Application Forms. Subject to the Listing Committee granting approval for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus and to certain other conditions set forth in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed to procure subscribers for, or themselves to subscribe for, our Hong Kong Offer Shares which are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been signed and becoming unconditional in accordance with its terms and not having been terminated in accordance with its terms or otherwise.

Grounds for termination

The Sole Bookrunner (for itself and the other Hong Kong Underwriters) shall be entitled by notice in writing to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if at or prior to 8:00 a.m. on the Listing Date any of the following events occurs:

- (a) there shall develop, occur, exist or come into effect:-
 - (i) any change or development involving a prospective change or development, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military,

UNDERWRITING

- industrial, fiscal, legal, regulatory, currency, credit or market conditions or exchange control or any monetary or trading settlement system (including, but without limitation to, any conditions affecting stock and bond markets, money and foreign exchange markets, interbank markets and credit markets or a change in the system under which the value of Hong Kong currency is linked to that of the currency of the US or the RMB is linked to any foreign currency(ies)) in or affect any of the Relevant Jurisdictions (as defined in paragraph (ii) below);
- (ii) any change or development involving a prospective change in taxation or exchange control, currency exchange rates or foreign investment regulations (including, but without limitation to, a devaluation of the Hong Kong dollar or the RMB against any foreign currencies (including, but without limitation to, the US dollars)), or the implementation of any exchange control in Hong Kong, Macau, the PRC, Japan, Singapore, the United States, the United Kingdom, the European Union (taking as a whole or any member thereof), British Virgin Islands, Cayman Islands or any other jurisdiction relevant to any member of the Group (the “**Relevant Jurisdictions**”);
 - (iii) any event, or series of events, in the nature of force majeure (including, but without limitation to, acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemics, pandemics, outbreaks of diseases, economic sanction, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riot, public disorder, acts of war, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism (whether or not responsibility has been claimed) and such related/ mutated forms or accident or interruption or delay in transportation, economic sanction or other state of emergency or calamity or crisis);
 - (iv) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change, or any event or series of events resulting in or representing a change in the interpretation or application thereof by any court or other competent authority in or affecting any of the Relevant Jurisdictions;
 - (v) any general moratorium, on commercial banking activities or foreign exchange trading or securities settlement or clearance services in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at the federal or New York state level or other competent authority), London, the European Union (taking as a whole or any member thereof) in any of the Relevant Jurisdictions or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in those places or jurisdictions;
 - (vi) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the London Stock Exchange, the NASDAQ National Markets, the American Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or any disruption in monetary or trading or securities settlement or clearance services, procedures or matters;

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- (vii) the imposition of economic sanctions, in whatever form, directly or indirectly, on or any of the Relevant Jurisdictions;
- (viii) the commencement by any juridical, governmental, law enforcement agency, regulatory or political body or organisation of any investigation, claim, proceedings or other action against a Director or any of the Covenantors or any member of the Group or an announcement by any governmental, regulatory or political body or organisation that it intends to take any such action;
- (ix) any litigation, legal action, claim or legal proceeding of any third party being threatened or instigated against a Director or any member of the Group or any of the Covenantors;
- (x) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company;
- (xi) the chairman or chief executive officer of our Company vacating his or her office;
- (xii) a contravention by any Director or any member of the Group or any of the Covenantors of the Listing Rules, the SFO, the Companies Ordinance, the Companies (Miscellaneous Provisions) Ordinance or any other applicable laws and regulations;
- (xiii) any non-compliance with this Prospectus (or any other documents used in connection with the Hong Kong Public Offering) or any aspect of the Share Offer with the Listing Rules, the SFO, the Companies Ordinance, the Companies (Miscellaneous Provisions) Ordinance or any other applicable laws or regulations;
- (xiv) the issue or requirement to issue by our Company of a supplement or amendment to this Prospectus or PHIP (as defined in the Listing Rules) (or any other documents used in connection with the Hong Kong Public Offering) pursuant to the SFO, the Companies Ordinance, the Companies (Miscellaneous Provisions) Ordinance, and the Listing Rules or any applicable law and regulation or any requirement or request of the Stock Exchange or SFC;
- (xv) a prohibition by a competent authority on our Company for whatever reason from allotting and issuing the Shares (including any additional Shares that may be allotted and issued under the Over-allotment Option) under the Share Offer;
- (xvi) any change or prospective change in, or materialisation of, any of the risks set forth in the section headed “Risk Factors” of this Prospectus;
- (xvii) an order or petition for the winding-up or liquidation of any member of the Group or any of the Covenantors or any composition or arrangement made by any member of the Group or any of the Covenantors with its creditors or a scheme of arrangement entered into by any member of the Group or any of the Covenantors or any resolution for the winding-up or liquidation of any member of the Group or any of the Covenantors or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of the Group or any of the Covenantors or anything analogous thereto occurring in respect of any member of the Group or any of the Covenantors;

UNDERWRITING

(xviii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the HK\$ or the RMB against any foreign currencies) or the implementation of any exchange control, in any Relevant Jurisdiction; or

(xix) any loss or damage sustained by any member of the Group (howsoever caused and whether or not the subject of any insurance or claim against any person),

which, any of the above events, individually or in the aggregate, in the sole and absolute opinion of the Sole Bookrunner, (i) has or will or may have an adverse effect on the assets, liabilities, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, business, financial or other position or condition or prospects of the Group, (ii) has or will have or may have an adverse impact on the success of the Share Offer or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering, (iii) makes or will make it or may make it inadvisable or inexpedient or impracticable for any part of the Hong Kong Underwriting Agreement, or for any part of the Hong Kong Public Offering or the Share Offer to be performed or implemented or proceed as envisaged or to market the Share Offer or to deliver the Offer Shares on the terms and in the manner contemplated by this Prospectus, or (iv) has or would or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting the Hong Kong Public Offering and/or the Share Offer) incapable of performance in accordance with its terms or which prevents the processing of applications and/or payments pursuant to the Share Offer or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Sole Bookrunner:-

(i) that any statement contained in this Prospectus, offering circular, the Application Forms and/or any announcement or advertisement or document issued by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become untrue or incorrect or misleading in any respect, or that any estimate, forecast, expression of opinion, intention or expectation expressed in this Prospectus and/or any announcements or documents issued by our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest based on reasonable assumptions;

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this Prospectus, constitute a material omission from any of this Prospectus, the Application Forms and/or any notices, announcements, advertisement, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendments thereto);

(iii) any material adverse change, or development involving a prospective material adverse change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Company and the other members of the Group and/or the Group as a whole; or

UNDERWRITING

- (iv) any breach of, or any matter, event, act or omission which renders or is likely to render untrue or incorrect or inaccurate or misleading in any respect, any of the warranties given by our Company or any of the Covenantors under the Hong Kong Underwriting Agreement and/or pursuant to the indemnities given by any of the indemnifying parties pursuant to the Hong Kong Underwriting Agreement;
- (v) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than on any of the Hong Kong Underwriters or the International Underwriters);
- (vi) any claim or demand from, any third party being threatened or instigated against our Company or any member of the Group including any demand for repayment or payment of any indebtedness of our Company or any member of the Group, (whether or not such indebtedness has become payable before its stated maturity) or any demand made by any tax authority;
- (vii) approval by the Listing Committee of the listing of, and permission to deal in, the Shares in issue and to be issued (including any additional Shares that may be issued and sold pursuant to the exercise of the Over-allotment Option and any option that may be granted under the Share Option Scheme) under the Share Offer and the Capitalisation Issue, on or before the date of the listing is refused or not granted, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
- (viii) that our Company withdraws this Prospectus (and any other documents used in connection with the Share Offer) or suspends the Share Offer; or
- (ix) any expert (other than the Sole Sponsor) named in the section “Appendix IV — Statutory and General Information — Other Information — Consents of experts” of this Prospectus or the Application Forms has withdrawn its consent to being named in any of this Prospectus and the Application Forms or to the issue of any of this Prospectus and the Application Forms.

Undertakings

Undertakings to the Stock Exchange under the Listing Rules

(A) Undertaking by our Company

Under Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except under the Share Offer and the Capitalisation Issue (including the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme) or for the circumstances provided under Rule 10.08 of the Listing Rules.

UNDERWRITING

(B) Undertaking by our Controlling Shareholders and our Substantial Shareholders

In accordance with Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders and our Substantial Shareholders has undertaken to the Stock Exchange that except under the Stock Borrowing Agreement, (a) he or it will not, at any time during the period commencing from the Listing Date and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any option, rights, interest or encumbrances in respect of, any of our Shares in respect of which he or it is shown by this prospectus to be the beneficial owners; and (b) each of our Controlling Shareholders will not, at any time during the period of six months from the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any option, rights, interest or encumbrances in respect of, any of our Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interest or encumbrances, it will then cease to be our Controlling Shareholder.

Pursuant to Note (3) of Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders and our Substantial Shareholders has further undertaken to the Stock Exchange that he or it will, within a period of 12 months from the Listing Date, immediately inform us and the Stock Exchange of:

- (a) any pledges or charges of any Shares or securities of our Company beneficially owned by him/it in favour of any authorised institution as permitted under the Listing Rules, and the number of such Shares or securities of our Company so pledged or charged; and
- (b) any indication received by he/it, either verbal or written, from any pledgee or chargee of any Shares or other securities of our Company pledged or charged that any of such Shares or other share capital will be sold transferred or disposed of.

Note (2) to Rule 10.07(2) of the Listing Rules provides that the rule does not prevent a controlling shareholder from using the shares owned by it as securities (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan.

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders or our Substantial Shareholders or their shareholders and disclose such matters by way of a public announcement in accordance with the Listing Rules and, if applicable, the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO after being so informed by any of our Controlling Shareholders or our Substantial Shareholders or their respective shareholders.

Undertakings under the Hong Kong Underwriting Agreement

(A) Undertaking by our Company

Except for the offer of our Offer Shares pursuant to the Share Offer (including pursuant to the Over-Allotment Option) and the issue of Shares pursuant to the Capitalisation Issue and the Share

UNDERWRITING

Option Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), our Company undertakes to each of the Sole Bookrunner, the Joint Lead Managers, the Sole Sponsor and the Hong Kong Underwriters and each of warrantors under the Hong Kong Underwriting Agreement undertakes to each of the Sole Bookrunner, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor to procure our Company, not to, and to procure each member of our Group not to, without the prior written consent of the Sole Bookrunner, the Joint Lead Managers (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, make any short sell or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other equity securities of our Company, or interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other equity securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares); or
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in Clause (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or such other equity securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other equity securities will be completed within the aforesaid period). In the event that, during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company. Each of our Controlling Shareholders and our Substantial Shareholders undertakes to each of the Sole Bookrunner, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor to use their best endeavours to procure our Company to comply with the undertakings mentioned above.

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(B) *Undertaking by our Controlling Shareholders and our Substantial Shareholders*

Each of the Controlling Shareholders and our Substantial Shareholders undertakes to each of our Company, the Sole Bookrunner, the Joint Lead Managers, the Hong Kong Underwriters and the Sole Sponsor that, save for any lending of Shares by VGH pursuant to the Stock Borrowing Agreement, without the prior written consent of the Sole Bookrunner (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, none of our Controlling Shareholders and our Substantial Shareholders will, and will procure that none of their associates will:

- (a) at any time during the First Six-Month Period, (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, make short sell or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other equity securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other equity securities of our Company, as applicable), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other equity securities of our Company or any interest therein in (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or such other equity securities of our Company, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);
- (b) at any time during the Second Six-Month Period, enter into any of the transactions specified in (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, it will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of our Company; and
- (c) until the expiry of the Second Six-Month period, in the event that it enters into any of the transactions specified in (i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

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Indemnity

We and our Controlling Shareholders and our Substantial Shareholders have agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

International Underwriting

International Underwriting Agreement

In connection with the International Underwriting, we, among others, expect to enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters, subject to certain conditions, will agree severally and not jointly to procure purchasers for, or themselves purchase, their respective proportions of our International Offer Shares being offered under the International Offering.

Under the International Underwriting Agreement, we expect to grant to the International Underwriters the Over-allotment Option, exercisable by Sun Securities at any time from the date of the International Underwriting Agreement up to (and including) the date which is the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 15,000,000 additional Shares, representing in aggregate 15% of the number of Offer Shares initially available under the Share Offer. These Shares will be issued at the Offer Price and will be solely for the purpose of covering over-allocations, if any, in the International Offering.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that if the International Underwriting Agreement is not entered into, the Share Offer will not proceed.

We will agree to indemnify the International Underwriters against certain liabilities, including liabilities under the U.S. Securities Act.

Commissions and expenses

The Hong Kong Underwriters will receive a gross commission of 2.5% of the aggregate Offer Price payable for our Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. The commissions payable to the Underwriters will be borne by our Company in relation to the new Shares to be issued in relation to the Share Offer.

UNDERWRITING

The aggregate commissions (inclusive of any discretionary incentive fees), together with listing fees, SFC transaction levy and Stock Exchange trading fee in respect of the new Shares offered by us, legal and other professional fees and printing and other expenses relating to the Share Offer, are estimated amount to HK\$37.0 million (assuming an Offer Price of HK\$1.1, which is the midpoint of the indicative range of the Offer Price and that the Over-allotment Option and options which may be granted under the Share Option Scheme are not exercised) in total and are payable by us.

The commission and expenses were determined after arm's length negotiations between our Company and the Hong Kong Underwriters.

Underwriters' interest in our Group

Save for their obligation under the Underwriting Agreements, none of the Underwriters has any shareholding interests in any member of our Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Following the completion of the Share Offer, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

MINIMUM PUBLIC FLOAT

Our Directors and the Sole Bookrunner will ensure that there will be minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Share Offer.

ACTIVITIES BY SYNDICATE MEMBERS

The Underwriters of the Hong Kong Public Offering and the International Offering (the "**Syndicate Members**") and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own accounts and for the account of others. In relation to our Shares, other activities could include acting as agent for buyers and sellers of our Shares, entering into transactions with other buyers and sellers in a principal capacity, proprietary trading in our Shares, and entering into over-the-counter or listing derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying, assets including our Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling our Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in our Shares, in baskets of securities or indices including our Shares, in units of funds that may purchase our Shares, or in derivatives related to any of the foregoing.

UNDERWRITING

In relation to issues by Syndicate Members or their affiliates of any listed securities having our Shares as their underlying, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of other securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and these will also result in hedging activity in our Shares in most cases.

All these activities may occur both during and after the end of the stabilizing period described in the section headed “Structure and Conditions of the Share Offer—Stabilisation” in this prospectus. These activities may affect the market price or value of our Shares, the liquidity or trading volume in our Shares, and the volatility of the trading prices of our Shares and the extent to which this occurs from day to day cannot be estimated.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE SHARE OFFER

This prospectus is published in connection with the Hong Kong Public Offering as part of the Share Offer. The Share Offer comprises:

- the Hong Kong Public Offering of 10,000,000 Shares, subject to adjustment as mentioned below, in Hong Kong as described below under “Hong Kong Public Offering”; and
- the International Offering of 90,000,000 Shares, subject to adjustment and the Over-allotment Option as mentioned below, in such jurisdictions as permitted under the applicable laws and regulations, to professional, institutional, corporate and other investors.

Investors may apply for our Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for our International Offer Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of our International Offer Shares to institutional and professional investors and other investors in such jurisdictions as permitted under the applicable laws and regulations. The International Underwriters are soliciting from prospective investors indications of interest in acquiring our International Offer Shares in the International Offering. Prospective investors will be required to specify the number of International Offer Shares they would be prepared to acquire either at different prices or at a particular price.

Our Shares will be traded in board lots of 2,000 each.

The number of Offer Shares to be offered under the Share Offer respectively may be subject to reallocation as set forth in the section headed “Pricing and Allocation” below. References in this prospectus to applications, Application Forms, application or subscription monies or the procedure for application relate only to the Hong Kong Public Offering.

PRICING AND ALLOCATION

The Offer Price is expected to be fixed by agreement between the Sole Bookrunner (for itself and on behalf of the Underwriters) and us on the Price Determination Date, when market demand for our Offer Shares will be determined. The Price Determination Date is expected to be on or around Monday, 18 December 2017 and in any event, no later than Tuesday, 19 December 2017.

The Offer Price will not be more than HK\$1.2 per Offer Share and is expected to be not less than HK\$1.0 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below. 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 range of the Offer Price stated in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

If, based on the level of interest expressed by prospective institutional and professional investors and other investors during the book-building process, the Sole Bookrunner (for itself and on behalf of the Underwriters) consider the number of our Offer Shares being offered under the Share Offer and/or the indicative range of the Offer Price to be inappropriate, the Sole Bookrunner (for itself and on behalf of the Underwriters) may reduce the initial number of our Offer Shares and/or the indicative range of the Offer Price below that stated in this prospectus at any time on or before the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering on 15 December 2017, cause to publish in *The Standard* (in English) and *Sing Tao Daily* (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.vicon.com.hk a notice of the reduction. Such notice will also include confirmation or revision, as appropriate, of the Share Offer statistics as currently set forth in the section headed “Summary and Highlights” in this prospectus and any other financial information which may change as a result of such reduction.

Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the initial number of our Offer Shares and/or the indicative range of the Offer Price may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Upon issue of such reduction notice, the revised range of the Offer Price will be final and conclusive and the Offer Price, if agreed upon, will be fixed within such revised range of the Offer Price. In the absence of any notice being published of a reduction in the initial number of our Offer Shares and/or the indicative range of the Offer Price stated in this prospectus on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon, will under no circumstances be set forth below the indicative range of the Offer Price as stated in this prospectus.

Our Shares to be offered in the Share Offer may, in certain circumstances, be reallocated as between the Hong Kong Public Offering and International Offering at the discretion of the Sole Bookrunner. Allocation of our International Offer Shares will be determined by the Sole Bookrunner and will be based on a number of factors including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the Listing. Such allocation may be made to professional, institutional or corporate investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid Shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Hong Kong Offer Shares to applicants under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

The final Offer Price, the level of applications in the Hong Kong Public Offering, the level of indications of interest in the International Offering, the basis of allocations of our Hong Kong Offer Shares and the Hong Kong identity card / passport / Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in the section headed “How to Apply for our Hong Kong Offer Shares—11. Publication of results” in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for our Hong Kong Offer Shares under the Hong Kong Public Offering will be conditional on, inter alia:

- (a) the granting of approval by the Listing Committee for the listing of, and permission to deal in, our Shares in issue, our Offer Shares to be issued pursuant to the Share Offer (including any Shares which may be issued under the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme) and Shares to be issued under the Capitalisation Issue, and such listing and permission not having been revoked prior to the commencement of dealings in our Offer Shares on the Stock Exchange;
- (b) the Offer Price having been determined on or around the Price Determination Date;
- (c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date;
- (d) the obligations of the Underwriters under the Underwriting Agreements having become 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 Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Thursday, 11 January 2018, being the 30th day after the date of this prospectus.

If, for any reason, the Offer Price is not agreed by Tuesday, 19 December 2017 between the Sole Bookrunner (for itself and on behalf of the Underwriters) and us, the Share Offer will not proceed and will lapse.

If the above conditions are not fulfilled or waived before the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offering to be published in The Standard (in English) and Sing Tao Daily (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.vicon.com.hk on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set forth in the section headed “How to Apply for our Hong Kong Offer Shares” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving bank(s) or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Share certificates for our Offer Shares are expected to be issued on Thursday, 21 December 2017 but will only become valid certificates of title at 8:00 a.m. on the Listing Date, provided that (a) the Share Offer has become unconditional in all respects and (b) neither of the Underwriting Agreements has been terminated in accordance with its terms.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

HONG KONG PUBLIC OFFERING

Number of Hong Kong Offer Shares

We are initially offering 10,000,000 Shares at the Offer Price, representing 10% of the initial number of the Offer Shares, for subscription by members of the public in Hong Kong. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Hong Kong Offer Shares will represent 2.5% of the enlarged number of our Shares in issue immediately after completion of the Share Offer and the Capitalization Issue, assuming that the Over-allotment Option and options which may be granted under the Share Option Scheme are not exercised.

Allocation

For allocation purposes only, the initial number of our Hong Kong Offer Shares (after taking into account any adjustment in the number of Offer Shares allocated between the Share Offer) will be divided equally into two pools: Pool A comprises 5,000,000 Hong Kong Offer Shares and Pool B comprises 5,000,000 Hong Kong Offer Shares, both of which are available on an equitable basis to successful applicants. All valid applications that have been received for Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million or less (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) will fall into Pool A and all valid applications that have been received for Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) and up to the total value of Pool B will fall into Pool B. For the purpose of this paragraph only, the “subscription price” for our Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Investors should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Hong Kong Offer Shares in one pool (but not both pools) are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Hong Kong Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or in both pools will be rejected. No application will be accepted from applicants for more than 5,000,000 Hong Kong Offer Shares (being 50% of the initial number of Hong Kong Offer Shares).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Reallocation and clawback

The allocation of Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. If the number of Offer Shares validly applied for in the Hong Kong Public Offering represents (a) 15 times or more but less than 50 times, (b) 50 times or more but less than 100 times, and (c) 100 times or more, of the number of Offer Shares initially available under the Hong Kong Public Offering, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 30,000,000, 40,000,000 and 50,000,000 Offer Shares, representing 30% (in the case of (a)), 40% (in the case of (b)) and 50% (in the case of (c)), respectively, of the initial number of our Offer Shares (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated to the International Offering will be correspondingly reduced, in such manner as the Sole Bookrunner deems appropriate, and such additional Offer Shares will be allocated to Pool A and Pool B in equal proportion. In addition, the Sole Bookrunner shall have the discretion to reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If our Hong Kong Offer Shares are not fully subscribed, the Sole Bookrunner has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Bookrunner deems appropriate.

Applications

The Sole Bookrunner (for itself and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Bookrunner so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that it is excluded from any application for Hong Kong Offer Shares under the Hong Kong Public Offering.

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making 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 of, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the undertaking and/or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$1.2 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. If the Offer Price, as finally determined on the Price Determination Date, is lower than HK\$1.2, being the maximum Offer Price, we will refund the respective difference (including brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further information is set forth in the section headed "How to Apply for our Hong Kong Offer Shares" in this prospectus.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

INTERNATIONAL OFFERING

Number of International Offer Shares

The number of Offer Shares to be initially offered for subscription under the International Offering will be 90,000,000 Offer Shares (subject to adjustment and the Over-allotment Option), representing 90% of our Offer Shares under the Share Offer and 22.5% of the enlarged number of Shares in issue immediately after completion of the Share Offer and the Capitalisation Issue assuming that the Over-allotment Option and any option which may be granted under the Share Option Scheme are not exercised. The International Offering is subject to the Hong Kong Public Offering becoming unconditional.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizable demand for such Offer Shares. 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.

Allocation of International Offer Shares under the International Offering will be effected in accordance with the “book-building” process described in the section headed “Pricing and allocation” in this prospectus and based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the Listing. Such allocation is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid professional and institutional Shareholder base for the benefit of our Company and our Shareholders as a whole.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

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

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

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

OVER-ALLOTMENT OPTION

We expect to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Bookrunner on behalf of the International Underwriters at any time on or prior to the date which is the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer. Under the Over-allotment Option, the Sole Bookrunner will have the right to require us to allot and issue up to an aggregate of 15,000,000 additional new Shares, representing in aggregate of 15% of our Offer Shares initially available under the Share Offer to, cover over-allocations in the International Offering, if any. These Shares will be issued at the Offer Price. An announcement will be made if the Over-allotment Option is exercised.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over allocations in connection with the Share Offer, the Stabilizing Manager may choose to borrow, whether on its own or through its affiliates, up to 15,000,000 Shares, representing 15% of our Offer Shares, from VGH to cover over allocation under the stock borrowing arrangement (being the maximum number of Offer Shares which may be issued upon exercise of the Over-allotment Option), or acquire Shares from other sources, including exercising the Over-allotment Option.

If such stock borrowing arrangement with VGH is entered into, it will only be effected by the Stabilizing Manager or its agent for settlement of over allocation in the International Offering and such arrangement is not subject to the restrictions of Rule 10.07(1) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the new securities in the secondary market during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the offer price. In Hong Kong, activity aimed at reducing the market price is prohibited and the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Share Offer, the Stabilizing Manager, its affiliates or any person acting for it, as stabilizing manager for itself and on behalf of the Underwriters, may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period up to the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it, to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it, and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 15,000,000 Shares, which is 15% of the initial number of our Offer Shares.

Stabilizing actions permitted in Hong Kong under the Securities and Futures (Price Stabilizing) Rules, as amended, include: (a) over-allocation for the purpose of preventing or minimising any reduction in the market price of our Shares; (b) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of our Shares; (c) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares under the Over-allotment Option in order to close out any position established under (a) or (b) above; (d) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimising any reduction in the market price of our Shares; (e) selling or agreeing to sell any Shares in order to liquidate any position held as a result of those purchases; and (f) offering or attempting to do anything described in (b), (c), (d) or (e) above.

Specifically, prospective applications for and investors in our Shares should note that:-

- the Stabilizing Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in our Shares;
- there is no certainty regarding the extent to which and the time period for which the Stabilizing Manager, its affiliates or any person acting for it, will maintain such a position;
- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it, may have an adverse impact on the market price of our Shares;
- no stabilizing action can be taken to support the price of our Shares for longer than the stabilizing period which will begin on the Listing Date, and is expected to expire on 14 January 2018, being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and
- stabilizing bids must be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, our Shares.

Our Company will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules, as amended, will be made within seven days of the expiration of the stabilisation period.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, 22 December 2017 it is expected that dealings in Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, 22 December 2017.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Sole Bookrunner (for itself and on behalf of the Underwriters) and us on the Price Determination Date.

We expect that we will, on or about Monday, 18 December 2017, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Offering.

The terms of the underwriting arrangements are summarised in the section headed “Underwriting” in this prospectus.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at www.eipo.com.hk;
- 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 Sole Bookrunner, **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States (as defined in Regulation S) and are not a United States Person; and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Sole Bookrunner may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for our Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our company and/or any of its subsidiaries;
- a Director or chief executive officer of our company and/or any of its subsidiaries;
- a connected person or a core connected person (as defined in the Listing Rules) of our company or will become a connected person or a core connected person of our company immediately upon completion of the Share Offer;
- an associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 12 December 2017 until 12:00 noon on Friday, 15 December 2017 from:-

- (i) the following address of the Hong Kong Underwriters:

Sun Securities	Unit 2412-13, 24/F, China Merchants Tower, Shun Tak Centre, 168-200 Connaught Road Central, Hong Kong
Ping An Securities	Unit 02, 2/F, China Merchants Building, 152-155 Connaught Road Central, Hong Kong
Ever-Long Securities	18/F Dah Sing Life Building, 99-105 Des Voeux Road Central, Hong Kong

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

Freeman Securities	38/F, Bank of China Tower, 1 Garden Road, Hong Kong
Oceanwide Securities	18/F-19/F China Building, 29 Queen's Road Central, Hong Kong
Long Asia Securities	Unit A, 23/F, The Wellington, 198 Wellington Street, Sheung Wan, Hong Kong

(ii) any of the following branches of DBS Bank (Hong Kong) Limited:

District	Branch name	Address
Hong Kong Island	Head Office	G/F, The Center 99 Queen's Road Central Central
	United Centre Branch	Shops 1015-1018 on 1/F & Shops 2032-2034 on 2/F United Centre 95 Queensway Admiralty
	Aberdeen Branch	Shops A & B, G/F Units A & B, 1/F On Tai Building 1-3 Wu Nam Street Aberdeen
Kowloon	Kowloon Bay — SME Banking Centre	Shop 6, G/F, Chevalier Commercial Centre 8 Wang Hoi Road Kowloon Bay
New Territories	Ma On Shan Branch	Shop 205-206, Level 2 Ma On Shan Plaza Ma On Shan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, 12 December 2017 until 12:00 noon on Friday, 15 December 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

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Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "TING HONG NOMINEES LIMITED-VICON HOLDINGS 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, 12 December 2017 — 9:00 a.m. to 5:00 p.m.
Wednesday, 13 December 2017 — 9:00 a.m. to 5:00 p.m.
Thursday, 14 December 2017 — 9:00 a.m. to 5:00 p.m.
Friday, 15 December 2017 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, 15 December 2017, the last application day or such later time as set forth in "— 10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By completing and submitting an Application Form or applying through White Form eIPO service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Bookrunner (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies (WUMP) Ordinance, the Companies Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set forth in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);

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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 Offering nor participated in the International Offering;
- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, Receiving Bank, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisors 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 (a) you understand that our Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for our Hong Kong Offer Shares are outside the United States (as defined in Regulation S);
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept our Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in "— collection in person" section in the Prospectus to collect share certificate(s) and/or refund cheques) in this section;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, our Directors and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of our Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** service provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (a) 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 (b) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “— 2. Who can apply” in this section, may apply through the **White Form eIPO** service for our Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application to **White Form eIPO** service at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, 12 December 2017 until 11:30 a.m. on Friday, 15 December 2017 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, 15 December 2017 or such later time under the “— 10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you apply by means of **White Form eIPO** service, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

If you are suspected of submitting more than one application through **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “VICON HOLDINGS LIMITED” **White Form eIPO** application submitted via the www.eipo.com.hk to support the funding of “Source of Dong Jiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for our Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a **CCASS Investor Participant**, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Centre
1/F, One & Two Exchange Square
8 Connaught Place, Central Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

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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 our Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Bookrunner and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for our Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that our Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept our Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Sole Bookrunner will rely on your declarations and representations in deciding whether or not to make any allotment of any of our Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of our Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

- confirm that you have read the terms and conditions and application procedures set forth 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 forth in any supplement to this prospectus;
- agree that none of our Company, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, Receiving Bank, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and/or its respective advisors and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the Application Lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the Application Lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (WUMP) Ordinance, the Companies 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 our Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the WHITE Application Form and in this prospectus.

Minimum purchase amount and permitted numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set forth in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

Time for inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Tuesday, 12 December 2017 — 9:00 a.m. to 8:30 p.m.⁽¹⁾
- Wednesday, 13 December 2017 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Thursday, 14 December 2017 — 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Friday, 15 December 2017 — 8:00 a.m.⁽¹⁾ 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. on Tuesday, 12 December 2017 until 12:00 noon on Friday, 15 December 2017 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Friday, 15 December 2017, the last application day or such later time as set forth in the paragraph headed “— 10. 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 Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for our Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (WUMP) 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 (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

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Personal Data

The section of the Application Form headed “— Personal Data” applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bankers, the Sole Bookrunner, the Joint Lead Managers, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of our Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the White Form eIPO service is also only a facility provided by the White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Bookrunner, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through White Form eIPO service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a WHITE or YELLOW Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Friday, 15 December 2017.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for our Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

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All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through White Form eIPO service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE OUR HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set forth in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through **White Form eIPO** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set forth in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further information on the Offer Price, see the section headed “Structure and Conditions of the Share Offer — Pricing and Allocation” in this prospectus.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The Application Lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, 15 December 2017. 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 Friday, 15 December 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of our Hong Kong Offer Shares on Thursday, 21 December 2017 in The Standard (in English) and Sing Tao Daily (in Chinese) and on our company’s website at www.vicon.com.hk and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.vicon.com.hk and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Thursday, 21 December 2017;
- from the designated results of allocations website at www.iporesults.com.hk with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, 21 December 2017 to 12:00 midnight on Wednesday, 27 December 2017;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, 21 December 2017 to Sunday, 24 December 2017;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, 21 December 2017 to Saturday, 23 December 2017 at all the receiving bank’s designated 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

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will be a binding contract under which you will be required to purchase our Hong Kong Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further information is contained in the section headed “Structure and conditions of the Share Offer” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which our Hong Kong Offer shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

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 (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) **If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Sole Bookrunner, the Joint Lead Managers, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

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(iii) **If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list our Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the Application Lists.

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Bookrunner 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 our Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$1.2 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with “Structure and conditions of the Share Offer—Conditions of the Hong Kong Public Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, 21 December 2017.

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14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of our Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to collection in person 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 for all our Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and
- refund cheque 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 our Hong Kong Offer Shares, wholly or partially unsuccessfully applied for and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque.

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 before Thursday, 21 December 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, 22 December 2017 provided that the Share Offer has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. **Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.**

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

Collection in Person

(i) If you apply using a **WHITE** Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque and/or Share certificate from the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 21 December 2017 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for collection in person, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for collection in person, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque and/or Share certificate in person within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, 21 December 2017, by ordinary post and at your own risk.

(ii) If you apply using a **YELLOW** Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, 21 December 2017, 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 will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, 21 December 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

- *If you apply as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "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 Thursday, 21 December 2017 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of our Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate from the Hong Kong Share Registrar Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, 21 December 2017, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate in person within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, 21 December 2017 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, 21 December 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Thursday, 21 December 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, 21 December 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, 21 December 2017. Immediately following the credit of our Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, 21 December 2017.

HOW TO APPLY FOR OUR HONG KONG OFFER SHARES

15. ADMISSION OF OUR SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

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

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF VICON HOLDINGS LIMITED AND INNOVAX CAPITAL LIMITED

Introduction

We report on the historical financial information of Vicon Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-60, which comprises the combined balance sheets as at 31 March 2015, 2016 and 2017 and 31 August 2017, the Company's balance sheets as at 31 March 2016 and 2017 and 31 August 2017, and the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the periods then ended (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-60 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 12 December 2017 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1(a) to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in*

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Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant’s judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity’s preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1(a) to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountant’s report, a true and fair view of the financial position of the Company as at 31 March 2016 and 2017 and 31 August 2017 and the combined financial position of the Group as at 31 March 2015, 2016 and 2017 and 31 August 2017 and of its combined financial performance and its combined cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1(a) to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the combined statements of comprehensive income, changes in equity and cash flows for the five months ended 31 August 2016 and other explanatory information (the “Stub Period Comparative Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1(a) to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would

become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant's report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1(a) to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 27 to the Historical Financial Information which states that no dividends have been paid by Vicon Holdings Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 12 December 2017

I. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in HK dollars and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 March			Five months ended 31 August	
		2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000 (Unaudited)	2017 HK\$'000
Revenue	5	276,752	323,563	263,471	70,754	122,736
Cost of sales	8	(241,062)	(266,246)	(215,064)	(58,197)	(104,687)
Gross profit		35,690	57,317	48,407	12,557	18,049
Other income and gains, net	7	5,778	1,731	1,110	301	70
Professional fees incurred for initial public offering	8	—	(8,079)	(3,040)	—	(4,524)
Other administrative expenses	8	(9,954)	(10,257)	(7,561)	(3,793)	(4,335)
Operating profit		31,514	40,712	38,916	9,065	9,260
Finance income	10	—	63	122	53	50
Finance costs	10	(383)	(1,986)	(2,361)	(724)	(1,386)
Finance costs, net	10	(383)	(1,923)	(2,239)	(671)	(1,336)
Profit before income tax		31,131	38,789	36,677	8,394	7,924
Income tax expense	11	(5,097)	(7,723)	(6,489)	(1,571)	(2,105)
Profit and total comprehensive income for the year attributable to equity holders of the Company		26,034	31,066	30,188	6,823	5,819
Basic and diluted earnings per share	12	N/A	N/A	N/A	N/A	N/A

COMBINED BALANCE SHEETS

	Note	As at 31 March			As at
		2015	2016	2017	31 August
		HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000	
ASSETS					
Non-current assets					
Machinery and equipment	13	7,865	75,939	125,775	118,983
Prepayments and deposits	14	324	250	45	40
Deferred income tax assets	21	—	—	185	510
		<u>8,189</u>	<u>76,189</u>	<u>126,005</u>	<u>119,533</u>
Current assets					
Trade and retention receivables	14	18,559	24,974	38,324	34,033
Prepayments, deposits and other receivables	14	1,006	2,850	2,683	2,914
Amounts due from customers for contract work	15	6,969	30,006	58,710	63,576
Income tax receivable		—	—	3,149	—
Amounts due from directors	23	79,037	16,420	—	—
Restricted bank balances	16	—	16,800	16,817	16,817
Cash and cash equivalents	16	28,619	27,634	34,421	25,296
		<u>134,190</u>	<u>118,684</u>	<u>154,104</u>	<u>142,636</u>
Total assets		<u>142,379</u>	<u>194,873</u>	<u>280,109</u>	<u>262,169</u>
EQUITY					
Capital and reserve					
Combined share capital	18	30,000	30,000	30,000	30,000
Retained earnings		41,435	72,501	102,689	108,508
Total equity		<u>71,435</u>	<u>102,501</u>	<u>132,689</u>	<u>138,508</u>
LIABILITIES					
Non-current liabilities					
Borrowings	20	812	13,965	29,181	23,028
Deferred income tax liabilities	21	595	274	—	—
		<u>1,407</u>	<u>14,239</u>	<u>29,181</u>	<u>23,028</u>
Current liabilities					
Trade and retention payables	19	17,129	48,302	68,597	47,651
Other payables and accruals	19	797	7,687	15,913	6,087
Borrowings	20	26,427	11,214	29,332	42,797
Amounts due to customers for contract work	15	21,675	4,770	4,397	2,712
Income tax payable		3,509	6,160	—	1,386
		<u>69,537</u>	<u>78,133</u>	<u>118,239</u>	<u>100,633</u>
Total liabilities		<u>70,944</u>	<u>92,372</u>	<u>147,420</u>	<u>123,661</u>
Total equity and liabilities		<u>142,379</u>	<u>194,873</u>	<u>280,109</u>	<u>262,169</u>

BALANCE SHEETS OF THE COMPANY

	<i>Note</i>	As at 31 March		As at 31
		2016	2017	August
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS				
Current assets				
Prepayments	14	—	—	2,010
		—	—	2,010
		-----	-----	-----
EQUITY				
Capital and reserve				
Share capital	17(a)	—	—	—
Accumulated losses	17(b)	—	(3,040)	(7,564)
Total deficit		—	(3,040)	(7,564)
		-----	-----	-----
LIABILITIES				
Current liabilities				
Amount due to a related party	23(b)	—	3,040	9,574
		-----	-----	-----
Total equity and liabilities		=====	=====	=====

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Combined share capital	Retained earnings	Total
	<i>HK\$'000</i> (Note 18)	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1 April 2014	30,000	15,401	45,401
Comprehensive income			
Profit for the year	—	26,034	26,034
Total comprehensive income for the year	—	26,034	26,034
Balance at 31 March 2015	30,000	41,435	71,435
Balance at 1 April 2015	30,000	41,435	71,435
Comprehensive income			
Profit for the year	—	31,066	31,066
Total comprehensive income for the year	—	31,066	31,066
Balance at 31 March 2016	30,000	72,501	102,501
Balance at 1 April 2016	30,000	72,501	102,501
Comprehensive income			
Profit for the year	—	30,188	30,188
Total comprehensive income for the year	—	30,188	30,188
Balance at 31 March 2017	30,000	102,689	132,689
Balance at 1 April 2017	30,000	102,689	132,689
Comprehensive income			
Profit for the period	—	5,819	5,819
Total comprehensive income for the period	—	5,819	5,819
Balance at 31 August 2017	30,000	108,508	138,508
<i>(Unaudited)</i>			
Balance at 1 April 2016	30,000	72,501	102,501
Comprehensive income			
Profit for the period	—	6,823	6,823
Total comprehensive income for the period	—	6,823	6,823
Balance at 31 August 2016	30,000	79,324	109,324

COMBINED STATEMENTS OF CASH FLOWS

Note	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Cash flows from operating activities					
Profit before taxation	31,131	38,789	36,677	8,394	7,924
Adjustments for:					
- Depreciation	3,351	5,887	12,768	5,089	6,956
- (Gains)/losses on disposal of machinery and equipment	(1,756)	378	(146)	—	—
- Interest expenses	383	1,986	2,361	724	1,386
- Interest income	—	(63)	(122)	(53)	(50)
	33,109	46,977	51,538	14,154	16,216
Changes in working capital					
Decrease/(increase) in trade and retention receivables	1,700	(6,415)	(13,350)	(13,603)	4,291
(Increase)/decrease in prepayments, deposits and other receivables	(555)	(1,707)	494	70	1,834
(Increase)/decrease in amounts due from customers for contract work	(1,850)	(23,037)	(28,704)	9,701	(4,866)
Increase/(decrease) in amounts due to customers for contract work	19,010	(16,905)	(373)	2,561	(1,685)
Increase/(decrease) in trade and retention payables	10,880	31,173	20,295	(15,599)	(20,946)
Increase/(decrease) in other payables and accruals	405	3,855	2,401	(483)	(682)
Increase in restricted bank balances	—	(16,800)	(17)	—	—
Net cash generated from/(used in) operations	62,699	17,141	32,284	(3,199)	(5,838)
Hong Kong profits tax (paid)/refund	(3,788)	(5,393)	(16,257)	(6,430)	2,105
Net cash generated from/(used in) operating activities	58,911	11,748	16,027	(9,629)	(3,733)

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<i>Note</i>					
					(Unaudited)
Cash flows from investing activities					
Purchase of machinery and equipment	(4,185)	(36,815)	(1,899)	(971)	(9,308)
Proceeds from disposal of machinery and equipment	30,300	101	320	—	—
Advance to directors	(72,344)	(5,104)	(1,926)	(247)	—
Repayment from directors	3,651	67,721	18,346	9,775	—
Net cash (used in)/generated from investing activities	(42,578)	25,903	14,841	8,557	(9,308)
Cash flows from financing activities					
Advance from a director	—	—	—	—	23,300
Repayment to a director	(7,008)	—	—	—	(23,300)
Drawdown of long-term borrowings	19,689	—	—	—	—
Repayment of long-term borrowings	(10,722)	(19,667)	—	—	—
Drawdown of short-term borrowings	7,572	—	9,828	—	42,114
Repayment of short-term borrowings	—	(7,572)	(1,638)	—	(26,120)
Capital element of finance lease payment	—	(9,411)	(29,910)	(14,536)	(8,682)
Interest paid	(383)	(1,986)	(2,361)	(724)	(1,386)
Listing expense paid	—	—	—	—	(2,010)
Net cash generated from/(used in) financing activities	9,148	(38,636)	(24,081)	(15,260)	3,916
Net increase/(decrease) in cash and cash equivalents	25,481	(985)	6,787	(16,332)	(9,125)
Cash and cash equivalents at beginning of year/period	3,138	28,619	27,634	27,634	34,421
Cash and cash equivalents at end of year/period	16	28,619	27,634	11,302	25,296

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION**1 General information, reorganisation and basis of presentation****1.1 General information**

The Company was incorporated in the Cayman Islands on 13 January 2016 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries provide foundation works and ancillary services in Hong Kong (the "Listing Business").

1.2 Reorganisation

In preparing for the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited, the following reorganisation activities were carried out.

Prior to the incorporation of the Company and the completion of the reorganisation as described below (the "Reorganisation"), the Listing Business was carried out by Vicon Construction Company Limited ("Vicon Construction") and its subsidiaries (collectively the "Operating Companies"). The Operating Companies were held by Mr. CHOW Kwok Chun ("Mr. CHOW") and Mr. TSANG Hing Kuen ("Mr. TSANG") throughout the Track Record Period.

Pursuant to the Reorganisation, the Listing Business was transferred to the Company principally through the following steps:

- (i) On 13 January 2016, the Company was incorporated in the Cayman Islands with an initial authorised share capital of HK\$380,000 divided into 38,000,000 shares at par of HK\$0.01 each. On 13 January 2016, one fully-paid subscriber share of the Company was transferred to Vic Group Holdings Limited ("VGH"), a company wholly-owned by Mr. CHOW. On the same day, 69 and 30 fully-paid shares were allotted and issued to a VGH and On Group Holdings Limited ("OGH"), respectively, the latter being a company incorporated in the British Virgin Islands and wholly-owned by Mr. TSANG. Upon completion of the allotment, the Company was held as to 70% by VGH and 30% by OGH.
- (ii) On 15 January 2016, Vicon Enterprises Limited ("Vicon Enterprises") was incorporated in the British Virgin Islands with one share allotted and issued to the Company at par.

(iii) On 15 May 2017, Vicon Construction acquired the remaining 0.7% interest from Mr. CHOW and 0.3% interest from Mr. TSANG in Vicon Construction (Macau) Company Limited (“Vicon Construction (Macau)”) at a consideration of MOP6,300 and MOP2,700, respectively, both being the nominal value of the shares of Vicon Construction (Macau) immediately prior to the transfer, resulting in Vicon Construction (Macau) became a wholly-owned subsidiary of Vicon Construction.

(iv) On 15 November 2017, Vicon Enterprises acquired 70% and 30% interests in Vicon Construction from Mr. CHOW and Mr. TSANG, respectively, at a consideration satisfied by the Company allotting and issuing 140 shares and 60 shares, both credited as fully paid, to VGH and OGH, respectively. Upon completion of the acquisition, the Operating Companies became the wholly-owned subsidiaries indirectly held by the Company.

Upon completion of the Reorganisation and as at the date of this report, the Company had direct and indirect interests in the following subsidiaries:

Name	Place of incorporation	Date of incorporation	Issued and fully paid share capital	Effective interest held					Principal activities and place of operations	Note
				31 March		31 August		As at the date of Report		
				2015	2016	2017	2017			
Directly owned:										
Vicon Enterprises Limited	British Virgin Islands	15 January 2016	US\$1	N/A	N/A	100%	100%	100%	Investment holding	(i)
Indirectly owned:										
Vicon Construction Company Limited	Hong Kong	7 July 2005	HK\$30,000,000	100%	100%	100%	100%	100%	Foundation works in Hong Kong	(ii)
Vicon Machinery Company Limited	Hong Kong	7 November 2013	HK\$10,000	100%	100%	100%	100%	100%	Foundation works in Hong Kong	(iii)
Vicon Construction (Macau) Company Limited	Macau	14 July 2016	MOP900,000	N/A	N/A	100%	100%	100%	Foundation works in Macau	(i), (iv)

Notes:

- (i) No audited statutory financial statements were issued for this subsidiary as it is not required to issue audited financial statements under the statutory requirement of its place of incorporation.
- (ii) The statutory financial statements of this subsidiary for the years ended 31 March 2015, 2016 and 2017 were audited by PricewaterhouseCoopers.

- (iii) The statutory financial statements of this subsidiary from the date of incorporation to 31 March 2015 and for the years ended 31 March 2016 and 2017 were audited by PricewaterhouseCoopers.
- (iv) This subsidiary did not carry out any operation during the Track Record Period.

1.3 Basis of presentation

Immediately prior to and after the Reorganisation, the Listing Business has been conducted by the Operating Companies. Pursuant to the Reorganisation, the Listing Business was transferred to and held by the Company. The Company and Vicon Enterprises have not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owners of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the combined financial statements of the companies now comprising the Group, with the assets and liabilities of the Group recognised and measured at the carrying amounts of the Listing Business under the combined financial statements of the companies now comprising the Group for all periods presented.

Inter-company transactions, balances and unrealised gains/losses on transactions between listing group companies now comprising the Group are eliminated on combination.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1(a) Basis of preparation

The principal accounting policies applied in the preparation of the Historical Financial Information which are in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA are set out below. The Historical Financial Information has been prepared under the historical cost convention.

The preparation of the Historical Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

2.1(b) *New accounting standards not yet adopted*

The following new standards and amendments have been issued but are not effective for the financial year beginning on 1 April 2018 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 40 (Amendment)	Transfers of Investment Property	1 January 2018
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 15 (Amendment)	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019
HK (IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments	1 January 2019
HKAS 28 (Amendment)	Annual improvement 2014 - 2016 cycle	1 January 2018
HKFRS 1 (Amendment)	Annual improvement 2014 - 2016 cycle	1 January 2018

Management is in the process of assessing the impact of these standards, amendments and interpretations to existing HKFRS and set out below are the expected impact on the Group's financial performance and position:

HKFRS 9 "Financial instrument" addresses the classification, measurement and recognition of financial assets and liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented

in profit or loss. For financial liabilities, there are two classification categories: amortised cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognised in the other comprehensive income, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognised in profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and the "hedged ratio" to be the same as that used by management for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The new impairment model requires the recognition of impairment provisions based on expected credit losses rather than only incurred credit losses as is the case under HKAS 39. While the Group has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses. The standard is effective for accounting periods beginning on or after 1 January 2018. During the Track Record Period, all of the Group's contract assets, financial assets and financial liabilities were carried at amortised costs without significant impairment on the former, the implementation of HKFRS 9 is not expected to result in any significant impact on the Group's financial position and results of operations.

HKFRS 15 "Revenue from contracts with customers" replaces the previous revenue standards HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (i) identify the contract(s) with customer; (ii) identify separate performance obligations in a contract; (iii) determine the transaction price; (iv) allocate transaction price to performance obligations; and (v) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset-liability" approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost and license arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Under HKFRS 15, an entity normally recognises revenue when a performance obligation is satisfied. The adoption of HKFRS 15 may have an impact on the amount of revenue recognised when multiple performance obligation are identified and the Group is not yet in a position to provide quantified information. On the other hand, the use of input method under HKFRS 15 in measuring the percentage of completion is not expected to significantly affect the timing of revenue recognition upon adoption. The new standard is not expected to apply until the financial year ended 31 March 2019.

HKFRS 16 "Leases" addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The Group is a lessee of various

properties which are currently classified as operating leases. The Group's current accounting policy for such leases is set out in Note 2.20 with the Group's future operating lease commitments, which are not reflected in the combined balance sheets, falling due as follows:

	As at 31 March			As at 31 August
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
No later than 1 year	1,724	950	1,976	1,646
Later than 1 year and no later than 5 years	500	—	519	6
	<u>2,224</u>	<u>950</u>	<u>2,495</u>	<u>1,652</u>

HKFRS 16 provides new provisions for the accounting treatment of leases. When the Group is the lessee, almost all leases must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Thus, each lease will be mapped in the Group's consolidated balance sheets. Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated balance sheets. As for the financial performance impact in the consolidated statements of comprehensive income, rental expenses will be replaced with straight-line depreciation expense on the right-of-use asset and interest expenses on the lease liability. The combination of the straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease, and decreasing expenses during the latter part of the lease term. The new standard is not expected to apply until the financial year ending 31 March 2020, and management expects the impacts on the Group's financial results and position upon the adoption of HKFRS 16 are not material.

2.2 *Subsidiaries*

2.2.1 *Consolidation*

Subsidiaries are all entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) *Business combination*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the

Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the combined financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Historical Financial Information are presented in Hong Kong dollars, which is the Group's functional and presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

2.5 *Machinery and equipment*

Machinery and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged in profit or loss during the financial year in which they are incurred.

Depreciation of machinery and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Shorter of remaining useful life and the period of the lease
Furniture and fixtures	5 years
Machinery	5 to 10 years
Motor vehicles	5 years
Office equipment	3 years
Computer	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amounts of the relevant assets, and are recognised in profit or loss.

2.6 *Impairment of non-financial assets*

Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 *Financial assets*

The Group classifies its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables comprise trade and retention receivables, deposits and other receivables, amounts due from directors and cash and cash equivalents in the combined balance sheets.

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs. They are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets and liabilities are offset and the net amount reported in the combined balance sheets when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.8 *Impairment of financial assets*

The Group assesses at each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate.

The carrying amount of asset is reduced and the amount of the loss is recognised in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

2.9 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. They are included in current assets when they are within the Group's normal operating cycle of the business. Otherwise, they are classified as non-current assets.

2.10 Construction contracts

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract costs are recognised as expenses when incurred. 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 revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the "percentage-of-completion method" to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to the proportion of contract cost incurred for work performed to date bear to the estimated total construction costs. Contract costs that relate to future activity on the contract, such as uninstalled materials, if significant, will be excluded from the measurement of stage of completion, unless the materials have been made specially for the contract.

On the combined balance sheets, the Group reports the net contract position for each contract as either an asset or a liability. A contract represents an asset where costs incurred plus recognised profits (less recognised losses) exceed progress billings; a contract represents a liability where the opposite is the case. Contract assets/liabilities, trade and retention receivables/payables are included in current assets/liabilities as the Group expects to realise these within its normal operating cycle.

2.11 *Cash and cash equivalents*

In the combined statements of cash flows, cash and cash equivalents include cash in hand and deposits held at call at bank with original maturity of three months or less.

2.12 *Share capital*

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.13 *Trade payables*

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.14 *Borrowings*

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date.

2.15 *Borrowing costs*

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.16 *Provisions*

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.17 *Current and deferred income tax*

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Historical Financial Information. However, the deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on taxable temporary differences arising on investment in a subsidiary, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 *Revenue recognition*

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met. Revenue is shown after eliminating sales within the Group.

Revenue from construction contracts is recognised based on the stage of completion of the contracts as detailed in Note 2.10 above.

2.19 *Interest and other income*

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired receivable is recognised using the original effective interest rate.

Consultancy income is recognised in the accounting period in which the services are rendered.

Machinery rental income is recognised based on the straight-line basis over the lease terms.

2.20 *Leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are charged to profit or loss on a straight-line basis over the period of the lease.

The Group leases certain machinery and equipment. Leases of machinery and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The machinery and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.21 *Employee benefits*

(a) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity or paternity leaves are not recognised until the time of leave.

(b) *Retirement benefit obligations*

The Group operates defined contribution plans and pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(c) *Termination benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after balance sheet date are discounted to present value.

3 **Financial risk management**

3.1 *Financial risk factors*

The Group's activities expose it to a variety of financial risk: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out under policies approved by the directors of the Company. The directors provide principles for an overall risk management, as well as policies covering specific areas.

(a) *Market risk*

(i) Foreign exchange risk

The Group operates in Hong Kong with most of the transactions denominated in Hong Kong dollars. The exposure to foreign exchange risk is not material to the Group.

(ii) Interest rate risk

The Group is exposed to interest rate risk as borrowings are carried at variable rates. It is the Group's policy to maintain its borrowings subject to floating rates, and accordingly, the Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 March 2015, 2016 and 2017 and 31 August 2017, if the interest rates on borrowings had been 100 basis-points higher/lower with all other variables held constant, pre-tax profit for the year would be approximately HK\$272,000, HK\$252,000, HK\$585,000 and HK\$274,000 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) *Credit risk*

The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted bank balances, trade and retention receivables, deposits and other receivables, and amounts due from directors. The Group's maximum exposure to credit risk is the carrying amounts of these financial assets.

As at 31 March 2015, 2016 and 2017 and 31 August 2017, the Group had concentration of credit risk as 100%, 100%, 84% and 77% of the total trade and retention receivables were due from the Group's two, three, three and three customers, respectively.

To manage this risk, management has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews regularly the recoverable amount of each individual trade and retention receivable to ensure that adequate impairment provision is made for the irrecoverable amounts. The Group will also consider the creditworthiness and general reputation of customers before submitting any indication of interest or tender.

The credit quality of the amounts due from directors has been assessed with reference to historical information about the counterparty default and financial position of the counterparty. Management does not believe the credit risk in relation to the related parties are significant, considering the existing related parties do not have defaults in the past and management does not expect any losses from non-performance by these related parties.

(c) *Liquidity risk*

Liquidity risk refers to the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial assets.

The Group maintains liquidity by a number of sources including orderly realisation of receivables and certain assets that the Group considers appropriate and long term financing including long-term borrowings are also considered by the Group in its capital structuring. The Group aims to maintain flexibility in funding by keeping sufficient bank balances and interest bearing borrowings which enable the Group to continue its business for the foreseeable future.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interests payments computed using contractual rates, or if floating, based on the current rates at the year-end date). Where the loan agreement contains a repayable on demand clause which gives the lender the unconditional right to call the loan at any time, the amounts repayable are classified in the earliest time bracket in which the lender could demand repayment.

	On demand	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 March 2015					
Bank borrowings (including those subject to a repayment on demand clause)	25,322	1,172	761	73	27,328
Interest payment on borrowings	—	360	847	—	1,207
Trade and retention payables	—	16,230	899	—	17,129
Other payables and accruals	—	797	—	—	797
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 March 2016					
Finance lease liabilities	—	12,450	12,512	2,230	27,192
Trade and retention payables	—	44,395	3,907	—	48,302
Other payables and accruals	—	7,687	—	—	7,687
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 March 2017					
Bank borrowings (including those subject to a repayment on demand clause)	8,190	—	—	—	8,190
Finance lease liabilities	—	23,105	12,854	18,034	53,993
Trade and retention payables	—	62,156	6,441	—	68,597
Other payables and accruals	—	15,913	—	—	15,913
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 August 2017					
Bank borrowings (including those subject to a repayment on demand clause)	15,410	8,774	—	—	24,184
Interest payment on borrowings	—	222	—	—	222
Finance lease liabilities	—	20,117	10,285	13,929	44,331
Trade and retention payables	—	42,656	4,995	—	47,651
Other payables and accruals	—	6,087	—	—	6,087
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Maturity Analysis - Term loan subject to repayment on demand clause based on scheduled repayments				
	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 March 2015					
Bank borrowings	<u>9,677</u>	<u>1,988</u>	<u>5,966</u>	<u>9,983</u>	<u>27,614</u>
At 31 March 2016					
Bank borrowings	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 March 2017					
Bank borrowings	<u>8,330</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>8,330</u>
At 31 August 2017					
Bank borrowings	<u>15,552</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>15,552</u>

3.2 *Capital risk management*

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of equity and borrowings. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce borrowings. The Group monitors capital on the basis of gearing ratio. The gearing ratio is calculated as total borrowings divided by total equity.

As at 31 March 2015, 2016 and 2017 and 31 August 2017, the gearing ratios were as follows:

	As at 31 March			As at 31 August
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total borrowings (Note 20)	27,239	25,179	58,513	65,825
Total equity	<u>71,435</u>	<u>102,501</u>	<u>132,689</u>	<u>138,508</u>
Gearing ratio	<u>38%</u>	<u>25%</u>	<u>44%</u>	<u>48%</u>

3.3 Fair value estimation

The Group analyses its financial instruments' fair value by level of the inputs to valuation techniques used to measure fair value. Such inputs are categorised into three levels within a fair value hierarchy as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The carrying amount of the Group's financial assets and liabilities, including cash and cash equivalents, trade and retention receivables, deposits and other receivables, trade and retention payables, other payables and borrowings approximate their fair values, which either due to their short-term maturities, or that they are subject to floating rates.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) *Estimated useful lives of machinery and equipment*

Management estimates useful lives of the machinery and equipment by reference to the Group's business model, its assets management policy, the industry practice, expected usage of the assets, expected repair and maintenance, the technical or commercial obsolescence arising from changes or improvements in the market.

(b) *Construction contracts*

The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by the management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred. Such significant estimate may have impact on the revenue recognised in each period.

The Group uses the "percentage-of-completion method" to determine the appropriate amount of revenue to recognise in a given period. The stage of completion is measured by reference to the proportion of contract cost incurred for work performed to date bear to the estimated total construction costs. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting period. The Group reviews and revised the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contract as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding costs of the contract.

(c) *Allowance for doubtful receivables*

The policy for allowances for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in impairment of their ability to make payments, additional allowances may be required.

(d) *Income taxes*

The Group is subject to income taxes in Hong Kong. Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these

matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and income tax expense in the periods in which such estimate is changed.

5 Revenue

Revenue represents the revenue from foundation work on building construction in the ordinary course of business. Revenue recognised is as follows:

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Foundation works and ancillary services	<u>276,752</u>	<u>323,563</u>	<u>263,471</u>	<u>70,754</u>	<u>122,736</u>

6 Segment information

The chief operating decision-maker has been identified as the executive directors of the Group. The executive directors consider the segment from a business perspective and regards the Group's business as a single operating segment and reviews financial information accordingly.

All of the Group's activities are carried out in Hong Kong during the Track Record Period and all of the Group's assets and liabilities are located in Hong Kong. Accordingly, no analysis by geographical basis for the Track Record Period is presented.

For the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, there were 1, 2, 3, 3 and 3 customers, respectively, which individually contributed over 10% of the Group's total revenue. During the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, the revenue contributed from each of these customers was as follows:

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(Unaudited)</i>	
Customer A	—	16,198	114,160	36,109	34,608
Customer B	276,495	169,431	86,606	18,652	31,101
Customer C	257	127,109	31,367	10,534	29,051
	<u>276,752</u>	<u>312,738</u>	<u>232,133</u>	<u>65,295</u>	<u>94,760</u>

No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the executive directors.

7 Other income and gains, net

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(Unaudited)</i>	
Machinery rental income	3,933	323	589	—	70
Consultancy income	—	1,786	362	301	—
Gains/(losses) on disposal of machinery and equipment	1,756	(378)	146	—	—
Others	89	—	13	—	—
	<u>5,778</u>	<u>1,731</u>	<u>1,110</u>	<u>301</u>	<u>70</u>

8 Expenses by nature

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Cost of sales					
Subcontracting charges	190,776	209,415	107,315	21,534	38,617
Staff costs (Note 9)	21,131	30,062	39,187	15,639	17,610
Operating lease rental of machinery	2,951	2,396	42	—	5
Depreciation	505	3,624	10,297	3,828	6,092
Materials, parts and consumables	13,451	14,899	46,306	13,126	34,723
Operating lease rental in respect of storage premises	—	—	600	300	300
Others	12,248	5,850	11,317	3,770	7,340
	<u>241,062</u>	<u>266,246</u>	<u>215,064</u>	<u>58,197</u>	<u>104,687</u>
Professional fees incurred for initial public offering	—	8,079	3,040	—	4,524
Other administrative expenses					
Staff costs (Note 9)	453	760	917	496	416
Auditors' remuneration — Audit services	700	700	603	263	292
Depreciation	2,846	2,263	2,471	1,261	864
Operating lease rental in respect of					
— Office and storage premises	2,110	1,806	1,758	655	826
— Directors' quarters (Note 26(a))	614	160	—	—	—
Professional fees	482	1,083	753	322	591
Motor vehicle expenses	713	1,097	180	152	253
Others	2,036	2,388	879	644	1,093
	<u>9,954</u>	<u>10,257</u>	<u>7,561</u>	<u>3,793</u>	<u>4,335</u>

9 Employee benefit expenses

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				<i>(Unaudited)</i>	
Wages and salaries	21,050	29,964	38,817	15,610	17,420
Pension costs - defined contribution plans	518	727	1,050	368	480
Employment benefit	16	131	237	157	126
	<u>21,584</u>	<u>30,822</u>	<u>40,104</u>	<u>16,135</u>	<u>18,026</u>
Less: amounts included in cost of sales	<u>(21,131)</u>	<u>(30,062)</u>	<u>(39,187)</u>	<u>(15,639)</u>	<u>(17,610)</u>
Amounts included in administrative expenses	<u>453</u>	<u>760</u>	<u>917</u>	<u>496</u>	<u>416</u>

The Group participates in a Mandatory Provident Fund scheme (the "MPF Scheme") in accordance with the Mandatory Provident Fund Scheme Ordinance of Hong Kong. Under the rules of the MPF Scheme, the employer and its employees in Hong Kong are each required to contribute 5% of the employees' gross earnings with a ceiling of HK\$1,250 per month up to 31 May 2014, and HK\$1,500 per month from 1 June 2014 onwards to the MPF Scheme.

The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in future year.

The staff cost above included directors' emoluments and key management compensation as disclosed in Note 26.

(a) *Five highest paid individuals*

The five individuals whose emoluments were the highest in the Group for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017 include 3, 4, 3, 3 and 3 directors whose emoluments are reflected in the analysis shown in Note 26. The emoluments payable to the remaining 2, 1, 2, 2 and 2 individuals are as follows:

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Basic salaries, housing allowances, other allowances and benefits in kind	1,894	1,004	2,200	868	872
Contribution to pension scheme	35	18	36	15	17
Bonuses	495	193	335	154	—
	<u>2,424</u>	<u>1,215</u>	<u>2,571</u>	<u>1,037</u>	<u>889</u>

The emoluments fell within the following band:

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
				<i>(Unaudited)</i>	
	Number of individuals				
Emolument band					
Nil - HK\$1,000,000	—	—	—	2	2
HK\$1,000,001 - HK\$1,500,000	<u>2</u>	<u>1</u>	<u>2</u>	<u>—</u>	<u>—</u>

10 Finance costs, net

	Years ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Finance income:					
- Interest income on bank deposits	—	63	122	53	50
Finance costs:					
- Interest expenses on bank borrowings	(383)	(1,114)	(285)	(33)	(438)
- Interest expenses on finance lease liabilities	—	(872)	(2,076)	(691)	(948)
Finance costs, net	<u>(383)</u>	<u>(1,923)</u>	<u>(2,239)</u>	<u>(671)</u>	<u>(1,336)</u>

11 Income tax expense

The amount of income tax charged to profit or loss represents:

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				<i>(Unaudited)</i>	
Hong Kong profits tax					
Current income tax	5,564	8,044	6,960	1,817	2,430
Deferred income tax (Note 21)	(467)	(321)	(459)	(246)	(325)
Over provision in prior year	—	—	(12)	—	—
	<u>5,097</u>	<u>7,723</u>	<u>6,489</u>	<u>1,571</u>	<u>2,105</u>

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the tax rate of Hong Kong as follows:

	Year ended 31 March			Five months ended 31 August	
	2015	2016	2017	2016	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Profit before income tax	<u>31,131</u>	<u>38,789</u>	<u>36,677</u>	<u>8,394</u>	<u>7,924</u>
Calculated at tax rate of 16.5%	5,137	6,400	6,052	1,385	1,307
Income not subject to tax	—	(10)	(39)	(9)	—
Expenses not deductible for tax purposes	—	1,333	508	195	798
Tax concession	(40)	—	(20)	—	—
Over provision in prior year	<u>—</u>	<u>—</u>	<u>(12)</u>	<u>—</u>	<u>—</u>
Income tax expense	<u>5,097</u>	<u>7,723</u>	<u>6,489</u>	<u>1,571</u>	<u>2,105</u>

12 Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the group reorganisation and the preparation of the results for the Track Record Period on a combined basis as disclosed in Note 1.3 above.

13 Machinery and equipment

	Leasehold improvements	Furniture and fixtures	Machinery	Motor vehicles	Office equipment	Computer	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Year ended 31 March 2015							
Opening net book amount	1,743	841	30,330	2,472	137	52	35,575
Additions	—	397	—	3,788	—	—	4,185
Disposal	—	—	(28,544)	—	—	—	(28,544)
Depreciation	(367)	(251)	(1,786)	(843)	(66)	(38)	(3,351)
Closing net book amount	1,376	987	—	5,417	71	14	7,865
At 31 March 2015							
Cost	1,903	1,477	—	6,849	198	114	10,541
Accumulated depreciation	(527)	(490)	—	(1,432)	(127)	(100)	(2,676)
Net book amount	1,376	987	—	5,417	71	14	7,865
Year ended 31 March 2016							
Opening net book amount	1,376	987	—	5,417	71	14	7,865
Additions	—	20	72,865	1,548	—	7	74,440
Disposal	—	—	—	(479)	—	—	(479)
Depreciation	(367)	(272)	(3,842)	(1,340)	(50)	(16)	(5,887)
Closing net book amount	1,009	735	69,023	5,146	21	5	75,939
At 31 March 2016							
Cost	1,903	1,497	72,865	7,694	198	121	84,278
Accumulated depreciation	(894)	(762)	(3,842)	(2,548)	(177)	(116)	(8,339)
Net book amount	1,009	735	69,023	5,146	21	5	75,939
Year ended 31 March 2017							
Opening net book amount	1,009	735	69,023	5,146	21	5	75,939
Additions	—	—	62,331	330	117	—	62,778
Disposal	—	—	—	(174)	—	—	(174)
Depreciation	(367)	(273)	(10,595)	(1,487)	(44)	(2)	(12,768)
Closing net book amount	642	462	120,759	3,815	94	3	125,775
At 31 March 2017							
Cost	1,903	1,497	135,196	7,044	315	121	146,076
Accumulated depreciation	(1,261)	(1,035)	(14,437)	(3,229)	(221)	(118)	(20,301)
Net book amount	642	462	120,759	3,815	94	3	125,775

	Leasehold improvements	Furniture and fixtures	Machinery	Motor vehicles	Office equipment	Computer	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Five months ended 31 August 2017							
Opening net book amount	642	462	120,759	3,815	94	3	125,775
Additions	—	—	164	—	—	—	164
Depreciation	(154)	(108)	(6,092)	(584)	(17)	(1)	(6,956)
Closing net book amount	488	354	114,831	3,231	77	2	118,983
At 31 August 2017							
Cost	1,903	1,497	135,360	7,044	315	121	146,240
Accumulated depreciation	(1,415)	(1,143)	(20,529)	(3,813)	(238)	(119)	(27,257)
Net book amount	488	354	114,831	3,231	77	2	118,983
<i>(Unaudited)</i>							
Five months ended 31 August 2016							
Opening net book amount	1,009	735	69,023	5,146	21	5	75,939
Additions	—	—	24,562	—	117	—	24,679
Depreciation	(154)	(114)	(3,828)	(973)	(19)	(1)	(5,089)
Closing net book amount	855	621	89,757	4,173	119	4	95,529
At 31 August 2016							
Cost	1,903	1,497	97,427	7,694	315	121	108,957
Accumulated depreciation	(1,048)	(876)	(7,670)	(3,521)	(196)	(117)	(13,428)
Net book amount	855	621	89,757	4,173	119	4	95,529

During the Track Record Period, depreciation expenses of HK\$505,000, HK\$3,624,000, HK\$10,297,000, and HK\$6,092,000, respectively, have been charged to cost of sales and HK\$2,846,000, HK\$2,263,000, HK\$2,471,000 and HK\$864,000 have been charged to administrative expenses, respectively.

As at 31 March 2015, motor vehicles with net book value of HK\$1,545,000 were secured for bank borrowings (Note 20(c)).

Machinery includes the following amounts where the Group is a lessee under finance leases:

	As at 31 March			As at
				31 August
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost — capitalised finance leases	—	41,892	96,946	96,946
Accumulated depreciation	—	(2,675)	(8,704)	(12,770)
Net book amount	—	39,217	88,242	84,176

14 Trade and retention receivables, and prepayments, deposits and other receivables

	Group				Company		
	As at 31 March			As at	As at		
	2015	2016	2017	31 August	As at 31 March	31 August	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	2016	2017	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Trade receivables	18,559	15,458	24,093	20,513	—	—	
Retention receivables	—	9,516	14,231	13,520	—	—	
Trade and retention receivables	18,559	24,974	38,324	34,033	—	—	
Prepayments, deposits and other receivables	1,330	3,100	2,728	944	—	—	
Prepaid share issuance costs in relation to initial public offering	—	—	—	2,010	—	—	
	1,330	3,100	2,728	2,954	—	—	
Less: non-current portion	(324)	(250)	(45)	(40)	—	—	
Current portion	1,006	2,850	2,683	2,914	—	—	

The credit period granted to trade customers other than for retention receivables was within 30 days or due upon presentation of invoices. The terms and conditions in relation to the release of retention vary from contract to contract, which may be subject to practical completion, the expiry of the defects liability period or a pre-agreed time period. The Group does not hold any collateral as security.

At 31 March 2015, 2016 and 2017 and 31 August 2017, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at 31 March			As at 31 August
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1 to 30 days	<u>18,559</u>	<u>15,458</u>	<u>24,093</u>	<u>20,513</u>

As at 31 March 2015, 2016 and 2017 and 31 August 2017, trade receivables of HK\$18,559,000, HK\$7,552,000, HK\$19,488,000 and HK\$nil, respectively, were past due but not impaired. These relate to certain customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	As at 31 March			As at 31 August
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Past due by:				
1 to 30 days	<u>18,559</u>	<u>7,552</u>	<u>19,488</u>	<u>—</u>

At 31 March 2015, 2016 and 2017, the ageing analysis of the retention receivables based on invoice date were as follows:

	As at 31 March			As at 31 August
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within 1 year	—	9,516	11,589	9,872
Between 1 to 2 years	—	—	2,642	3,648
	<u>—</u>	<u>9,516</u>	<u>14,231</u>	<u>13,520</u>

As at 31 March 2016 and 2017 and 31 August 2017, there were no retention receivables which were past due. In the combined balance sheets, retention receivables were classified as current assets. The table below analyses the Group's retention receivables into relevant maturity groupings based on the terms and conditions agreed with the customers.

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
Will be recovered within twelve months	—	—	7,886	6,520
Will be recovered more than twelve months after the end of the reporting period	—	9,516	6,345	7,000
	<u>—</u>	<u>9,516</u>	<u>14,231</u>	<u>13,520</u>

The carrying amounts of trade and retention receivables, and prepayments, deposits and other receivables were denominated in HK\$.

15 Contracting work-in-progress

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
Aggregated costs incurred and recognised profits to date	327,532	625,940	889,411	1,012,182
Progress billings to date	<u>(342,238)</u>	<u>(600,704)</u>	<u>(835,098)</u>	<u>(951,318)</u>
	<u>(14,706)</u>	<u>25,236</u>	<u>54,313</u>	<u>60,864</u>
Included in current assets/(liabilities) are the following:				
Due from customers for contract work	6,969	30,006	58,710	63,576
Due to customers for contract work	<u>(21,675)</u>	<u>(4,770)</u>	<u>(4,397)</u>	<u>(2,712)</u>
	<u>(14,706)</u>	<u>25,236</u>	<u>54,313</u>	<u>60,864</u>

16 Cash and cash equivalents and restricted bank balances

	As at 31 March			As at 31 August
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash at bank	28,509	44,322	51,126	42,001
Cash on hand	110	112	112	112
Less: restricted bank balances (Note)	—	(16,800)	(16,817)	(16,817)
Cash and cash equivalents	<u>28,619</u>	<u>27,634</u>	<u>34,421</u>	<u>25,296</u>
Maximum exposure to credit risk	<u>28,509</u>	<u>44,322</u>	<u>51,126</u>	<u>42,001</u>

The carrying amounts of cash and bank balances and restricted bank balances are denominated in HK\$.

In the combined statements of cash flows, cash and cash equivalents include cash on hand and deposits held at call with banks.

Note: As at 31 March 2016 and 2017 and 31 August 2017, restricted bank balances consist of deposits of HK\$16,800,000, HK\$16,817,000 and HK\$16,817,000, respectively, for a bank to issue surety bonds in respect of the Group's construction contracts.

17 Share capital and reserve movement of the Company

(a) *Share capital*

The Company was incorporated in the Cayman Islands on 13 January 2016 with an issued share capital of HK\$1 divided into 100 shares at par of HK\$0.01 each.

(b) *Reserve movement*

	<u>Accumulated losses</u>
	<i>HK\$'000</i>
Balance at 13 January 2016 (date of incorporation) and 31 March 2016	— <u> </u>
Balance at 1 April 2016	—
Comprehensive income	
Loss for the year	<u>(3,040)</u>
Total comprehensive income for the year	<u>(3,040)</u> -----
Balance at 31 March 2017	<u>(3,040)</u>
Balance at 1 April 2017	(3,040)
Comprehensive income	
Loss for the year	<u>(4,524)</u>
Total comprehensive income for the year	<u>(7,564)</u> -----
Balance at 31 August 2017	<u>(7,564)</u>

18 **Combined share capital**

The Historical Financial Information has been prepared as if the current group structure had been in existence throughout each of the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017 or since the respective dates of incorporation/establishment of the combining companies or since the date when the combining companies first came under the control of the ultimate owner of the Listing Business, where this is a shorter period. The share capital as presented in the combined balance sheets as at 31 March 2015, 2016 and 2017 and 31 August 2017 represented the combined capital of the companies now comprising the Group after elimination of inter-company investments.

19 Trade and retention payables, other payables and accruals

	As at 31 March			As at 31 August
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	6,495	35,244	56,606	35,618
Retention payables	10,634	13,058	11,991	12,033
Trade and retention payables	17,129	48,302	68,597	47,651
Other payables and accruals (Note)	797	7,687	15,913	6,087
	<u>17,926</u>	<u>55,989</u>	<u>84,510</u>	<u>53,738</u>

Note: The amounts mainly represent accruals and other payables for machinery and equipment, wages, legal and professional fees and transportation costs.

The carrying amounts of trade and retention payables, other payables and accruals were denominated in HK\$.

The credit period granted by trade creditors was within 30 days.

At 31 March 2015, 2016 and 2017 and 31 August 2017, the ageing analysis of the trade payables based on invoice date was as follows:

	As at 31 March			As at 31 August
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
1 to 30 days	6,495	35,244	56,075	31,484
31 to 60 days	—	—	273	—
61 to 90 days	—	—	—	4,119
More than 1 year	—	—	258	15
	<u>6,495</u>	<u>35,244</u>	<u>56,606</u>	<u>35,618</u>

The terms and conditions in relation to the release of retention vary from contract to contract. In the combined balance sheets, retention payables were classified as current liabilities. The ageing analysis of the retention payables based on invoice date was as follows:

	As at 31 March			As at
				31 August
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 year	9,735	9,151	5,808	7,053
Between 1 and 3 years	899	3,907	6,183	4,980
	<u>10,634</u>	<u>13,058</u>	<u>11,991</u>	<u>12,033</u>

20 Borrowings

	As at 31 March			As at
				31 August
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current				
Long-term bank borrowings	812	—	—	—
Finance lease liabilities	—	13,965	29,181	23,028
	<u>812</u>	<u>13,965</u>	<u>29,181</u>	<u>23,028</u>
Current				
Current portion of long-term bank borrowings due for repayment within one year	1,105	—	—	—
Current portion of long-term bank borrowings due for repayment within one year which contain a repayment on demand clause	1,592	—	—	—
Long-term bank borrowings due after one year which contain a repayment on demand clause	16,158	—	—	—
Short-term bank borrowings	7,572	—	8,190	24,184
Finance lease liabilities	—	11,214	21,142	18,613
	<u>26,427</u>	<u>11,214</u>	<u>29,332</u>	<u>42,797</u>
	<u>27,239</u>	<u>25,179</u>	<u>58,513</u>	<u>65,825</u>

- (a) In the combined balance sheets, bank borrowings due for repayment after one year which contain repayment on demand clause were classified as current liabilities.

Based on the scheduled repayment terms set out in the loan agreements and ignoring the effect of any repayment on demand clause, the maturity of bank borrowings would be as follows:

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Within 1 year	10,269	—	8,190	24,184
Between 1 and 2 years	7,560	—	—	—
Between 2 and 5 years	9,410	—	—	—
	<u>27,239</u>	<u>—</u>	<u>8,190</u>	<u>24,184</u>

The finance lease liabilities are as follows:

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Gross finance leases — minimum lease payments				
Within 1 year	—	12,450	23,105	20,117
Between 1 and 2 years	—	12,512	12,854	10,285
Between 2 and 5 years	—	2,230	18,034	13,929
	—	27,192	53,993	44,331
Future finance charges on finance leases	—	(2,013)	(3,670)	(2,690)
Present value of finance lease liabilities	<u>—</u>	<u>25,179</u>	<u>50,323</u>	<u>41,641</u>

The present value of finance lease liabilities is as follows:

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
No later than 1 year	—	11,214	21,142	18,613
Later than 1 year and no later than 5 years	—	13,965	29,181	23,028
	<u>—</u>	<u>25,179</u>	<u>50,323</u>	<u>41,641</u>

(b) The weighted average interest rates were as follows:

	As at 31 March			As at 31 August
	2015	2016	2017	2017
Long-term bank loans	2.60%	—	—	—
Short-term bank loans	2.82%	—	2.09%	3.28%
Finance lease liabilities	—	5.15%	5.53%	4.14%

The carrying amounts of borrowings were denominated in HK\$ and approximated their fair value as the impact of discounting is not significant.

(c) The Group's banking facilities are subject to annual review and the utilised facilities are secured or guaranteed by:

	As at 31 March			As at 31 August
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Secured/Guaranteed	<u>27,239</u>	<u>25,179</u>	<u>50,323</u>	<u>60,415</u>

As at 31 March 2015, the bank borrowings were secured by motor vehicles of net book value of HK\$1,545,000 and a property held by the spouse of a director together with personal guarantee from the said director. Such borrowings had been settled in 2016.

As at 31 August 2017, the bank borrowings amounting to HK\$18,774,000 were guaranteed by (i) Vicon Construction and Vicon Machinery Company Limited; (ii) personal guarantee provided by Mr. CHOW and Mr. TSANG; and (iii) charge over the Group's trade receivables with an aggregate amount of HK\$1,226,000. The personal guarantees will be released and replaced by corporate guarantees provided by the Company before or upon listing of the Company.

As at 31 August 2017, banking facilities were granted to Vicon Construction in respect of the specific projects, with an aggregate amount of HK\$49,340,000, of which HK\$40,566,000 had not been utilised. These banking facilities can only be used for project-specific financing which will be terminated upon the completion of the foundation projects specified in the relevant facility letters.

As at 31 March 2016, 31 March 2017 and 31 August 2017, the finance lease liabilities amounting to HK\$25,179,000, HK\$50,323,000 and HK\$41,641,000, respectively, from two banks are guaranteed by Mr. CHOW and Mr. TSANG. One of the banks has confirmed that the personal guarantee will be released upon listing and replaced by corporate guarantee of the Company. The other bank has confirmed that it will release the personal guarantee upon listing on condition that the Group fulfils certain financial covenant.

The Group did not breach any financial bank covenants during the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017.

As at 31 March 2015, 2016 and 2017, the Group did not have any undrawn borrowing facilities. As at 31 August 2017, the Group had undrawn borrowing facilities of HK\$40,566,000.

21 Deferred income tax

The analysis of deferred income tax was as follows:

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
Deferred income tax assets to be recovered after more than 12 months	—	—	185	510
Deferred income tax liabilities to be recovered after more than 12 months	595	274	—	—

The movements in the deferred income tax account are as follows:

	As at 31 March			As at
	2015	2016	2017	31 August
	HK\$'000	HK\$'000	HK\$'000	2017
				HK\$'000
At beginning of the year/period	(1,062)	(595)	(274)	185
Credited to the profit or loss (Note 11)	467	321	459	325
At end of the year/period	(595)	(274)	185	510

The movements in deferred income tax liabilities and assets, without taking into consideration the offsetting of balances with the same tax jurisdiction, are as follows:

Deferred income tax liabilities

	Accelerated tax depreciation	Unrealised loss arising from intra-group transactions	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2014	(3,723)	(170)	(3,893)
Credited to the profit or loss	<u>2,956</u>	<u>170</u>	<u>3,126</u>
At 31 March 2015	<u>(767)</u>	<u>—</u>	<u>(767)</u>
At 1 April 2015	(767)	—	(767)
Charged to the profit or loss	<u>(5,409)</u>	<u>—</u>	<u>(5,409)</u>
At 31 March 2016	<u>(6,176)</u>	<u>—</u>	<u>(6,176)</u>
At 1 April 2016	(6,176)	—	(6,176)
Charged to the profit or loss	<u>(4,163)</u>	<u>—</u>	<u>(4,163)</u>
At 31 March 2017	<u>(10,339)</u>	<u>—</u>	<u>(10,339)</u>
At 1 April 2017	(10,339)	—	(10,339)
Charged to the profit or loss	<u>(1,655)</u>	<u>—</u>	<u>(1,655)</u>
At 31 August 2017	<u>(11,994)</u>	<u>—</u>	<u>(11,994)</u>
<i>(Unaudited)</i>			
At 1 April 2016	<u>(6,176)</u>	<u>—</u>	<u>(6,176)</u>
Charged to the profit or loss	<u>(2,431)</u>	<u>—</u>	<u>(2,431)</u>
At 31 August 2016	<u>(8,607)</u>	<u>—</u>	<u>(8,607)</u>

Deferred income tax assets

	Tax losses	Unrealised profit arising from intra-group transactions	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2014	2,831	—	2,831
(Charged)/credited to the profit or loss	<u>(2,831)</u>	<u>172</u>	<u>(2,659)</u>
At 31 March 2015	<u>—</u>	<u>172</u>	<u>172</u>
At 1 April 2015	—	172	172
Credited/(charged) to the profit or loss	<u>5,897</u>	<u>(167)</u>	<u>5,730</u>
At 31 March 2016	<u>5,897</u>	<u>5</u>	<u>5,902</u>
At 1 April 2016	5,897	5	5,902
Credited to the profit or loss	<u>4,622</u>	<u>—</u>	<u>4,622</u>
At 31 March 2017	<u>10,519</u>	<u>5</u>	<u>10,524</u>
At 1 April 2017	10,519	5	10,524
Credited to the profit or loss	<u>1,980</u>	<u>—</u>	<u>1,980</u>
At 31 August 2017	<u>12,499</u>	<u>5</u>	<u>12,504</u>
<i>(Unaudited)</i>			
At 1 April 2016	5,897	5	5,902
Credited to the profit or loss	<u>2,677</u>	<u>—</u>	<u>2,677</u>
At 31 August 2016	<u>8,574</u>	<u>5</u>	<u>8,579</u>

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the combined balance sheets.

	As at 31 March			As at 31 August
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Deferred income tax (liabilities)/assets	<u>(595)</u>	<u>(274)</u>	<u>185</u>	<u>510</u>

22 Operating lease commitments

The future aggregate minimum lease rental expenses in respect of office and quarters for workers and directors under non-cancellable operating leases are as follows:

	Year ended 31 March			As at 31 August
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
No later than 1 year	1,724	950	1,976	1,646
Later than 1 year and no later than 5 years	<u>500</u>	<u>—</u>	<u>519</u>	<u>6</u>
	<u>2,224</u>	<u>950</u>	<u>2,495</u>	<u>1,652</u>

23 Related party transactions

Related parties are those parties that have the ability to control, jointly control or exert significant influence over the other party. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

(a) Key management compensation

Key management comprises the directors of the Company. The compensation paid or payable to directors is disclosed in Note 26.

(b) *Balances*

	As at 31 March			As at 31 August
	2015	2016	2017	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Receivables from related parties:				
- Amounts due from directors (Note 26)	79,037	16,420	—	—
	<u>79,037</u>	<u>16,420</u>	<u>—</u>	<u>—</u>
				Company
				As at
				31 August
				2017
				HK\$'000
Payables to a related party:				
Amount due to a related party				
-Vicon Construction		—	3,040	9,574
		<u>—</u>	<u>3,040</u>	<u>9,574</u>

Note: The balances were non-trade in nature, unsecured, interest free, repayable on demand and denominated in HK\$.

(c) *Guarantee provided by a director to the Group's borrowings*

The guarantee provided by a director to the Group's borrowings is disclosed in Note 20(c).

24 **Notes to the combined statements of cash flows**(a) *Non-cash transactions*

During the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017, finance lease arrangements were entered into by the Group amounting to HK\$nil, HK\$34,590,000, HK\$55,054,000, HK\$22,650,000 and HK\$nil, respectively, for acquisition of machinery and equipment.

(b) *Changes in liabilities arising from financing activities*

	Amount due to a director	Borrowings	Finance leases	Interest payable	Listing expense	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2014	7,008	10,700	—	—	—	17,708
Cash flows from financing activities	(7,008)	16,539	—	(383)	—	9,148
Non-cash changes:						
Interest accrued	—	—	—	383	—	383
At 31 March 2015	<u>—</u>	<u>27,239</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>27,239</u>
At 1 April 2015	—	27,239	—	—	—	27,239
Cash flows from financing activities	—	(27,239)	(9,411)	(1,986)	—	(38,636)
Non-cash changes:						
Acquisition — finance leases	—	—	34,590	—	—	34,590
Interest accrued	—	—	—	1,986	—	1,986
At 31 March 2016	<u>—</u>	<u>—</u>	<u>25,179</u>	<u>—</u>	<u>—</u>	<u>25,179</u>
At 1 April 2016	—	—	25,179	—	—	25,179
Cash flows from financing activities	—	8,190	(29,910)	(2,361)	—	(24,081)
Non-cash changes:						
Acquisition — finance leases	—	—	55,054	—	—	55,054
Interest accrued	—	—	—	2,361	—	2,361
At 31 March 2017	<u>—</u>	<u>8,190</u>	<u>50,323</u>	<u>—</u>	<u>—</u>	<u>58,513</u>
At 1 April 2017	—	8,190	50,323	—	—	58,513
Cash flows from financing activities	—	15,994	(8,682)	(1,386)	(2,010)	3,916
Non-cash changes:						
Interest accrued	—	—	—	1,386	—	1,386
At 31 August 2017	<u>—</u>	<u>24,184</u>	<u>41,641</u>	<u>—</u>	<u>(2,010)</u>	<u>63,815</u>

	Amount due to a director	Borrowings	Finance leases	Interest payable	Listing expense	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>(Unaudited)</i>						
At 1 April 2016	—	—	25,179	—	—	25,179
Cash flows from financing activities	—	—	(14,536)	(724)	—	(15,260)
Non-cash changes:						
Acquisition — finance leases	—	—	22,650	—	—	22,650
Interest accrued	—	—	—	724	—	724
At 31 August 2016	<u>—</u>	<u>—</u>	<u>33,293</u>	<u>—</u>	<u>—</u>	<u>33,293</u>

25 Ultimate holding company

Management consider VGH as the ultimate holding company of the Group, which is a company incorporated in the British Virgin Islands and owned by Mr. CHOW.

26 Benefits and interests of directors

(a) Directors' and chief executive's emoluments

The remuneration of each director and the chief executive of the Company which were included in staff costs as disclosed in Note 9 is set out below:

For the year ended 31 March 2015:

	Salaries	Directors' quarters	Contribution to defined contribution retirement scheme	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive directors				
Mr. CHOW Kwok Chun	3,122	382	18	3,522
Mr. TSANG Hing Kuen	2,316	232	18	2,566
Mr. LEUNG Kim Lim ⁽ⁱ⁾	1,145	—	18	1,163
Mr. LIU Jin Fai ⁽ⁱ⁾	859	—	18	877
	<u>859</u>	<u>—</u>	<u>18</u>	<u>877</u>

For the year ended 31 March 2016:

	Salaries	Directors' quarters	Contribution to defined contribution retirement scheme	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive directors				
Mr. CHOW Kwok Chun	2,935	—	13	2,948
Mr. TSANG Hing Kuen	3,814	160	18	3,992
Mr. LEUNG Kim Lim ⁽ⁱ⁾	1,380	—	18	1,398
Mr. LIU Jin Fai ⁽ⁱ⁾	916	—	18	934
	<u>916</u>	<u>—</u>	<u>18</u>	<u>934</u>

For the year ended 31 March 2017:

	Salaries	Directors' quarters	Contribution to defined contribution retirement scheme	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive directors				
Mr. CHOW Kwok Chun	3,766	-	18	3,784
Mr. TSANG Hing Kuen	3,766	-	18	3,784
Mr. LEUNG Kim Lim ⁽ⁱ⁾	1,545	-	18	1,563
Mr. LIU Jin Fai ⁽ⁱ⁾	816	-	18	834
	<u>816</u>	<u>-</u>	<u>18</u>	<u>834</u>

For the five months ended 31 August 2017:

	Salaries	Directors' quarters	Contribution to defined contribution retirement scheme	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive directors				
Mr. CHOW Kwok Chun	1,448	—	8	1,456
Mr. TSANG Hing Kuen	1,448	—	8	1,456
Mr. LEUNG Kim Lim ⁽ⁱ⁾	550	—	8	558
Mr. LIU Jin Fai ⁽ⁱ⁾	292	—	8	300
	<u>292</u>	<u>—</u>	<u>8</u>	<u>300</u>

For the five months ended 31 August 2016:

(Unaudited)

	Salaries	Directors' quarters	Contribution to defined contribution retirement scheme	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Executive directors				
Mr. CHOW Kwok Chun	1,448	—	8	1,456
Mr. TSANG Hing Kuen	1,448	—	8	1,456
Mr. LEUNG Kim Lim ⁽ⁱ⁾	490	—	8	498
Mr. LIU Jin Fai ⁽ⁱ⁾	292	—	8	300

Note:

- (i) Mr. LEUNG Kim Lim and Mr. LIU Jin Fai were appointed as the Company's executive directors on 13 May 2017, Mr. LEUNG Kim Lim and Mr. LIU Jin Fai were also employees of a company within the Group and the Group paid employee benefits to them before their appointment of directorship.

The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees to the Group and/or in their capacity as directors of the Company during the Track Record Period.

During the Track Record Period, none of the directors of the Company (i) received or were paid any remuneration in respect of accepting office; (ii) received or were paid emoluments in respect of services in connection with the management of the affairs of the Company or its subsidiary undertaking; and (iii) waived or has agreed to waive any emolument.

During the Track Record Period, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable. No consideration was provided to or receivable by third parties for making available directors' services.

Mr. IP Ka Ki, Professor KUANG Jun Shang and Mr. LAW Wang Chak Waltery were appointed as the Company's independent non-executive directors on 30 November 2017. During the Track Record Period, the independent non-executive directors have not yet been appointed and did not receive any remunerations.

(b) *Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors*

The information about loans, quasi-loans and other dealings entered into by the Company or subsidiary undertaking of the Company, where applicable, in favour of directors is as follows:

Name of director	Total amount payable	Aggregate outstanding amount at the beginning of the year	Aggregate outstanding amounts at the end of the year	Maximum outstanding during the year
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 31 March 2015:				
Quasi-loans or credit transactions:				
Mr. CHOW Kwok Chun	66,670	—	66,670	66,670
Mr. TSANG Hing Kuen	12,367	10,344	12,367	12,367
At 31 March 2016:				
Quasi-loans or credit transactions:				
Mr. CHOW Kwok Chun	7,086	66,670	7,086	66,670
Mr. TSANG Hing Kuen	9,334	12,367	9,334	12,367
At 31 March 2017:				
Quasi-loans or credit transactions:				
Mr. CHOW Kwok Chun	—	7,086	—	7,086
Mr. TSANG Hing Kuen	—	9,334	—	9,334
At 31 August 2017				
Quasi-loans or credit transactions:				
Mr. CHOW Kwok Chun	—	—	—	(23,300)

No provision was made in respect of any failure or anticipated failure to repay the whole or part of the loan, quasi-loan or credit transaction, or to pay the whole or part of any interest or otherwise on the loan, quasi-loan or credit transaction.

The balances are unsecured, interest free, repayable on demand and denominated in HK\$.

(c) *Directors' material interests in transactions, arrangements or contracts*

Save as disclosed in the Historical Financial Information, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017.

27 Dividends

No dividend has been paid or declared by the Company or the companies now comprising the Group during each of the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2016 and 2017.

28 Contingent liability

The Group did not have any contingent liability as at 31 March 2015, 2016 and 2017 and 31 August 2017.

29 Subsequent events

Save as disclosed in the report, the following significant events took place subsequent to 31 August 2017:

- (a) The Reorganisation was completed on 15 November 2017 and the details are set out in Note 1.2.
- (b) Pursuant to the written resolution passed by the shareholders on 30 November 2017, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 through the creation of an additional 962,000,000 shares of HK\$0.01 each.
- (c) Pursuant to the written resolution passed by the shareholders on 30 November 2017, conditional upon the share premium account of the Company being credited as a result of issue of new shares to the proposed offering of the Company's shares, the Company will issue additional 299,999,700 shares, credited as fully paid, to the existing shareholders of the Company.
- (d) By a shareholders' resolution dated 30 November 2017, the Company conditionally adopted a share option scheme under which the board of directors may grant options to the employees, directors or other selected participants of the Group to acquire shares of the Company. No options have been granted up to the date of this report.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 August 2017 and up to the date of this report. Save as disclosed in this report, no dividend or distribution 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 August 2017.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set out in this Appendix does not form part of the Accountant's Report from the reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set out in Appendix I, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section entitled "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Share Offer on the net tangible assets of the Group attributable to the equity holders of the Company as of 31 August 2017 as if the Share Offer had taken place on 31 August 2017.

The unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of the Group as at 31 August 2017 or at any future dates following the Share Offer. The unaudited pro forma statement of adjusted net tangible assets of the Group is based on the audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 August 2017 as set out in the Accountant's Report of the Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 August 2017 ⁽¹⁾	Estimated net proceeds from the Share offer ⁽²⁾	Unaudited pro forma adjusted net tangible assets of the Group attributable to the equity holders of the Company as at 31 August 2017	Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾
	HK\$'000	HK\$'000	HK\$'000	HK\$
Based on an Offer Price of HK\$1.00 per Share	<u>138,508</u>	<u>78,893</u>	<u>217,401</u>	<u>0.54</u>
Based on an Offer Price of HK\$1.20 per Share	<u>138,508</u>	<u>98,393</u>	<u>236,901</u>	<u>0.59</u>

Notes:

- (1) The audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 August 2017 is extracted from the Accountant's Report of the Company as set out in Appendix I to this prospectus, which is based on the audited combined net assets of the Group attributable to the equity holders of the Company as at 31 August 2017 of HK\$138,508,000.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (2) The estimated net proceeds from the Share Offer are based on the Offer Price of HK\$1.00 and HK\$1.20 per Share, respectively, after deduction of the underwriting fees and other related expenses (excluding listing expenses of approximately HK\$15.6 million which have been accounted for prior to 31 August 2017) payable by the Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option, any options which may be granted under the Share Option Scheme and any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed “Share Capital” in this prospectus.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in note 2 above and on the basis that 400,000,000 Shares were in issue assuming that the Share Offer and Capitalisation Issue had been completed on 31 August 2017 but takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option, any options which may be granted under the Share Option Scheme and any Shares which may be allotted and issued or repurchased by the Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed “Share Capital” in this prospectus.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 August 2017.

B. ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Vicon Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Vicon Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 August 2017, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated 12 December 2017, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 31 August 2017 as if the proposed initial public offering had taken place at 31 August 2017. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the period ended 31 August 2017, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

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APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 August 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 12 December 2017

Set forth below is a summary of certain provisions of the Memorandum and the Articles and of certain aspects of Cayman company law.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 13 January, 2016 under the Companies Law. The Company's constitutional documents consist of the Memorandum and the Articles.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 30 November 2017 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting)

shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) *Alteration of capital*

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) *Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) *Power of the Company to purchase its own shares*

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

(vi) *Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) *Calls on shares and forfeiture of shares*

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by

instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) *Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or
- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke

the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) *Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) *Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

(iv) *Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) *Remuneration*

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) *Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) *Loans and provision of security for loans to Directors*

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) *Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be

avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members**(i) *Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) *Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) *Annual general meetings*

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

(iv) *Notices of meetings and business to be conducted*

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
 - (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
 - (cc) the election of directors in place of those retiring;
 - (dd) the appointment of auditors and other officers;
 - (ee) the fixing of the remuneration of the directors and of the auditors;
 - (ff) the granting of any mandate or authority to the directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than twenty per cent (20%) in nominal value of its existing issued share capital; and
 - (gg) the granting of any mandate or authority to the directors to repurchase securities of the Company.
- (v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) ***Proxies***

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised

financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set forth below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "**Court**"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 2 February, 2012.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

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 forth in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. A branch register must be kept in the same manner in which a principal register is by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within sixty (60) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) **Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) **Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) **Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 13 January 2016. We have been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 25 February 2016 and our principal place of business in Hong Kong is 31st Floor, Kings Tower, 111 King Lam Street, Cheung Sha Wan, Kowloon, Hong Kong. Mr. CHOW has been appointed as the authorised representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, we are subject to the relevant laws of the Cayman Islands and our constitution which comprises the Memorandum of Association and the Articles of Association. A summary of the relevant aspects of the Companies Law and certain provisions of the Articles of Association is set forth in Appendix III to this prospectus.

2. Changes in share capital of our Company

As of the date of incorporation of our Company on 13 January 2016, our authorised share capital was HK\$380,000 comprising 38,000,000 Shares of HK\$0.01 each, of which one fully-paid Share was issued and allotted to the subscriber. On the same date, the initial subscribing shareholder transferred one Share to VGH. A further allotment and issuance of 69 Shares and 30 Shares were made on 13 January 2016 to VGH and OGH respectively.

On 30 November 2017, the authorised share capital of our Company was increased from HK\$380,000 comprising 38,000,000 Shares of HK\$0.01 each to HK\$10,000,000 comprising 1,000,000,000 Shares of HK\$0.01 each by the creation of an additional 962,000,000 Shares of HK\$0.01 each.

Immediately following completion of the Share Offer and the Capitalisation Issue but without taking into account any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or Share which may be issued upon exercise of any option which may be granted under the Share Option Scheme, 400,000,000 Shares will be issued fully paid or credited as fully paid, and 600,000,000 Shares will remain unissued.

Other than pursuant to the exercise of the Over-allotment Option and the exercise of the options which may be granted under the Share Option Scheme, there is no present intention to issue any part of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed therein and in paragraph headed “3. Written Resolutions of all Shareholders passed on 30 November 2017” below, there has been no alteration in our Company’s share capital since its incorporation.

3. Written resolutions of all Shareholders passed on 30 November 2017

By written resolutions of our Shareholders passed on 30 November 2017:

- (a) our Company approved and adopted the Memorandum and the Articles of Association conditional upon and with effect from the Listing;
- (b) the authorised share capital of our Company was increased from HK\$380,000 comprising 38,000,000 Shares of HK\$0.01 each to HK\$10,000,000 comprising 1,000,000,000 Shares of HK\$0.01 each by the creation of an additional of 962,000,000 Shares of HK\$0.01 each, each ranking equally with the Shares then in issue in all respects (the “**Increase in Authorised Share Capital**”);
- (c) conditional on (aa) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this prospectus; (bb) the Offer Price having been determined; (cc) the execution and delivery of the Underwriting Agreements on or before the date as mentioned in this prospectus; and (dd) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this prospectus:
 - (i) the terms and conditions of the Share Offer and the granting of the Over-allotment Option were approved and our Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer and such number of Shares as may be allotted and issued upon the exercise of the Over-allotment Option;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set forth in paragraph headed “D. Share Option Scheme” of this Appendix, were approved and adopted and our Directors were authorised to approve any amendments at the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at our Directors’ absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options granted under the Share Option Scheme and to take all such steps as they consider necessary, desirable or expedient to implement the Share Option Scheme;
 - (iii) following the increase in authorised share capital and conditional further on the share premium account of our Company being credited as a result of the Share Offer, our Directors were authorised to capitalise an amount of HK\$2,999,997 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 299,999,700 Shares for allotment and issue to the persons whose names appear on the principal register of members of our Company in the Cayman Islands at the close of business on 30 November 2017 (as they may direct) in

proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing shareholdings in our Company, each ranking equally in all respects with the then existing issued Shares, and our Directors were authorised to give effect to such capitalisation and distributions;

- (iv) 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, script dividend scheme or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles, or on the exercise of options granted under the Share Option Scheme, or under the Share Offer or the Capitalisation Issue, Shares with an aggregate nominal value not exceeding the sum of (aa) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue (excluding any Share which may fall be issued pursuant to the exercise of the Over-allotment Option), and (bb) the aggregate nominal amount of the share capital of our Company which may be repurchased by our Company pursuant to the authority granted to our Directors as referred to on sub-paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles, the Cayman Companies Law or any other applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first;
- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange or other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable Cayman Islands law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and
- (vi) the extension of the general mandate to allot, issue and deal with Shares pursuant to paragraph (iv) above to include the nominal amount of Shares which may be repurchased pursuant to paragraph (v) above.

4. Corporate reorganisation

The companies comprising our Group underwent a reorganisation to rationalise our Group’s structure in preparation for the Listing. For more details regarding the Reorganisation, please refer to the section headed “History, Development and Reorganisation” in this prospectus.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountant's Report set forth in Appendix I to this prospectus.

Save as disclosed in the section headed "History, Development and Reorganisation" in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Repurchase of our Shares by our Company

This paragraph includes the information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of own securities.

(a) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares for the purpose of Rule 10.06(1)(b)(i) of the Listing Rules) by a company listed 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 written resolutions passed by the Shareholders on 30 November 2017, the Repurchase Mandate was given to our Directors authorising any repurchase by our Company of Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC of Hong Kong and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Share Offer and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option and the Share Option Scheme, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or applicable Cayman Islands law to be held, or the passing of an ordinary resolution by Shareholders in general meeting revoking or varying the authority given to our Directors, whichever occurs first.

(b) *Source of funds*

Repurchases must be paid out of funds legally available for the purpose in accordance with the Articles and the Cayman Companies Law. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Cayman Islands laws, any repurchases by our Company may be made out of profits of our Company, out of our Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles and subject to the provisions of the Cayman Companies Law, out of capital. Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of either or both of the profits of our Company or the share premium account of our Company or, if authorised by the Articles and subject to the provisions of the Cayman Companies Law, out of capital.

(c) *Reasons for repurchases*

Our Directors believe that it is in the best interest of our Company and the Shareholders for our Directors to have general authority from the 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 the net asset value per Share and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders.

(d) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 400,000,000 Shares in issue immediately after the Listing, would result in up to 40,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(e) *General*

Neither our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, a group of Shareholders acting in concert (within the meaning under the Takeover Code), depending on the level of increase of such Shareholders' interest, could obtain or consolidate control of our Company and may become obliged under Rule 26 of the Takeovers Code to make a mandatory offer unless a whitewash waiver is obtained. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

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 (as defined in the Listing Rules) of our Company has notified us that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts


The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the sale and purchase agreement dated 15 November 2017 entered into between Vicon Holdings Limited, Vicon Enterprises Limited, Mr. CHOW Kwok Chun and Mr. TSANG Hing Kuen under which Mr. CHOW Kwok Chun and Mr. TSANG Hing Kuen transferred 70% and 30% of the shares in Vicon Construction Company Limited respectively to Vicon Enterprises Limited in consideration of the allotment of 140 Shares and 60 Shares, both credited as fully paid, to Vic Group Holdings Limited and On Group Holdings Limited;
- (b) the Deed of Indemnity;
- (c) the Deed of Non-Competition; and
- (d) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

(a) Trademark

As of the Latest Practicable Date, our Group was the registered owner of the following trademark, which is material to our business:

<u>Trademark</u>	<u>Place of registration</u>	<u>Trademark Registration number</u>	<u>Class(es)^(Note)</u>	<u>Expiry Date</u>	<u>Registered Owner</u>
	Hong Kong	303606499	37, 42	23 November 2025	Vicon Construction Company Limited

Note: Class 37 includes but not limited to building construction; repair; installation services; building construction supervision; site formation, excavation, dredging, ground investigation and improvement; conducting construction of foundation works; providing construction information; construction consultancy. Class 42 includes but not limited to architectural services; engineering consultancy services; professional engineering consultancy for the provision of feasibility studies, valuations, cost estimates or other research in relation to buildings, structures or civil engineering works; surveying services relating to buildings, structures or civil engineering works.

(b) Domain Name

As of the Latest Practicable Date, our Group has registered the following domain name:

<u>Domain name</u>	<u>Registration Date</u>	<u>Expiry Date</u>
www.vicon.com.hk	28 April 2017	28 April 2018

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

- (a) Immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme), the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying shares and debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, will have to

be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests or short position which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(i) *Long position in our Shares*

Name of Director	Nature of Interest	Number of Shares held ⁽¹⁾	Approximate percentage of shareholding
Mr. CHOW ⁽²⁾	Interest in controlled corporation ⁽²⁾	210,000,000 (L)	52.5%
Mr. TSANG ⁽³⁾	Interest in controlled corporation ⁽³⁾	90,000,000 (L)	22.5%

Notes:

- (1). The letters “L” denotes the respective “long position” (as defined under Part XV of the SFO) of the relevant person/entity in such Shares.
- (2). These Shares are held by VGH. VGH is wholly-owned by Mr. CHOW, our executive Director and our chairman.
- (3). These Shares are held by OGH. OGH is wholly-owned by Mr. TSANG, our executive Director and our chief executive officer.

(ii) *Long position in the ordinary shares of associated corporations*

Name of Director	Name of associated corporation	Nature of Interest	Number of shares held in the associated corporation ⁽¹⁾	Percentage of shareholding
Mr. CHOW	VGH	Beneficial owner	1 share (L)	100%
Mr. TSANG	OGH	Beneficial owner	1 share (L)	100%

Note:

- (1). The letters “L” denotes the respective “long position” (as defined under Part XV of the SFO) of the relevant person/entity in the shares of the relevant associated corporation.

- (b) So far as is known to our Directors, immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme), the following persons (not being a Director or chief executive of our Company as disclosed in paragraph (a) above) will have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Long position in our Shares

<u>Name of substantial shareholder</u>	<u>Nature of Interest</u>	<u>Numbers of Shares held ⁽¹⁾</u>	<u>Approximate percentage of shareholding</u>
VGH ⁽²⁾	Beneficial owner	210,000,000 (L)	52.5%
OGH ⁽³⁾	Beneficial owner	90,000,000 (L)	22.5%
Ms. Hon Yuk Hung ⁽⁴⁾	Interest of spouse	210,000,000 (L)	52.5%
Ms. Lee Siu Fong ⁽⁵⁾	Interest of spouse	90,000,000 (L)	22.5%

Notes:

- (1). The letters “L” denotes the respective “long position” (as defined under Part XV of the SFO) of the relevant person/entity in such Shares.
- (2). As of the Latest Practicable Date, VGH was wholly-owned by Mr. CHOW (our executive Director and our chairman). Given that Mr. CHOW holds a controlling interest in VGH, he is therefore deemed to be interested in the Shares held by VGH by virtue of the SFO.
- (3). As of the Latest Practicable Date, OGH was wholly-owned by Mr. TSANG (our executive Director and our chief executive officer). Given that Mr. TSANG holds a controlling interest in OGH, he is therefore deemed to be interested in the Shares held by OGH by virtue of the SFO.
- (4). Ms. Hon Yuk Hung is the spouse of Mr. CHOW. Ms. Hon Yuk Hung is deemed to be interested in all the Shares which are interested by Mr. CHOW by virtue of the SFO.
- (5). Ms. Lee Siu Fong is the spouse of Mr. TSANG. Ms. Lee Siu Fong is deemed to be interested in all the Shares which are interested by Mr. TSANG by virtue of the SFO.

2. Particulars of service contracts

Each of our executive Directors has entered into a service contract with our Company. The service contracts are initially for a fixed term of three years commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant service contract). Each of these executive Directors is entitled to their respective basic salary set forth below.

The basic annual salaries of the executive Directors are as follows:

Name	Approximate annual salary (HK\$)
Mr. CHOW Kwok Chun	3,766,000
Mr. TSANG Hing Kuen	3,766,000
Mr. LEUNG Kim Lim	1,545,000
Mr. LIU Jin Fai	816,000

Each of the independent non-executive Directors has entered into a letter of appointment with our Company. The terms and conditions of each of such letter of appointment are similar in all material respects. Each of them are appointed with an initial term of two years commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant letter of appointment). The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors and removal and retirement by rotation of Directors. Each of Mr. LAW Wang Chak Waltery, Mr. IP Ka Ki and Professor KUANG Jun Shang is entitled to a director's fee of HK\$180,000, HK\$180,000 and HK\$180,000 per annum respectively. Save for Directors' fees, none of our independent non-executive Directors is expected to receive any other remuneration for holding their office as independent non-executive Director.

Save as disclosed aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

3. Directors' remuneration

- (a) The aggregate amount of emoluments (including fees, salaries, contributions to pension schemes, housing allowances, other allowances and benefits in kind and discretionary bonuses) paid by our Group to our Directors in respect of the three financial years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 were approximately HK\$6,088,000, HK\$6,940,000, HK\$7,568,000 and HK\$2,912,000, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (including fees, salaries, contributions to pension schemes, housing allowances, other allowances and benefits in kind but excluding any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2018 are expected to be no more than HK\$10,309,000.
- (c) None of our Directors or any past directors of any member of our Group has been paid any sum of money for the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017 (i) as an inducement to join or upon joining our Group or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

- (d) There has been no arrangement under which a Director has waived or agreed to any emoluments for each of the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017.

4. Fees or commission received

Save as disclosed in the paragraph headed “Commissions and expenses” in the section headed “Underwriting” in this prospectus, none of our Directors or the experts named in the paragraph headed “Qualifications of experts” in this Appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

5. Connected transactions and related party transactions

Save as disclosed in the section headed “Relationship with our Controlling Shareholders and Substantial Shareholders” and in note 23 to the Accountant’s Report, the text of which is set forth in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Company has not engaged in any other material connected transactions or related party transactions.

6. Disclaimers

Save as disclosed in this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Share Offer or upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, our Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately following the completion of the Share Offer and the Capitalisation Issue will have an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, either directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (b) none of our Directors has any interest or short position in any of the Shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, in each case once the Shares are listed;

- (c) none of our Directors nor any of the parties listed in the paragraph headed “Qualifications of experts” in this Appendix has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the Offer Shares either in his own name or in the name of a nominee;
- (d) none of the Directors nor any of the parties listed in the paragraph headed “Qualifications of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of our Group; and
- (e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed “Qualifications of experts” in this Appendix:
 - (i) is interested legally or beneficially in any securities of any member of our Group; or
 - (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

D. SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme. The terms of the Share Option Scheme are in accordance with the provision of Chapter 17 of the Listing Rules.

a. ***Purpose***

The Share Option Scheme is a share incentive scheme and is established to recognise and acknowledge the contributions Eligible Participants (as defined in paragraph b below) had or may have made to our Group. The Share Option Scheme will provide Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives:

- (i) motivate Eligible Participants to optimise their performance efficiency for the benefit of our Group; and
- (ii) attract and retain or otherwise maintain on-going business relationship with Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.

b. Who may join

The Board may, at its discretion and subject to such conditions as it thinks fit, offer to grant an option to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with paragraph e below to:

- (i) any full-time or part-time employees, executives or officers of our Company or any of its subsidiaries;
- (ii) any directors (including executive, non-executive directors and independent non-executive directors) of our Company or any of its subsidiaries;
- (iii) any advisers (professional or otherwise), consultants, suppliers, customers and agents to our Company or any of its subsidiaries; and
- (iv) related entities who, in the sole opinion of the Board, will contribute or have contributed to our Group.

(collectively, the “**Eligible Participants**”)

Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company by way of consideration for the grant. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot of dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting the acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

c. Maximum number of Shares

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and under any other share option schemes of our Company must not in aggregate exceed 10%, being 40,000,000 Shares, of the total number of Shares in issue immediately following completion of the Share Offer, excluding for this purpose Shares which would have been issuable pursuant to the Over-allotment Option and options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of the Company, where applicable). Subject to the issue of a circular by our Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may:

- (i) renew this limit at any time to 10% of the Shares in issue as of the date of the approval by the Shareholders in general meeting; and/or

- (ii) grant options beyond the 10% limit to Eligible Participants specifically identified by the Board. The circular issued by our Company to the Shareholders shall contain a generic description of specified Eligible Participants who may be granted such options, the number and terms of the options to be granted, the purpose of granting options to specified Eligible Participants with an explanation as to how the options serve such purpose, the information required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules.

Notwithstanding the foregoing, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company at any time shall not exceed 30% of the Shares in issue from time to time. No options shall be granted under any schemes of our Company (including the Share Option Scheme) if this will result in the 30% limit being exceeded. The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or an approved independent financial adviser shall certify to be appropriate, fair and reasonable in the event of any alteration in the capital structure of our Company in accordance with paragraph q below whether by way of consolidation, capitalisation issue, rights issue, sub-division or reduction of the share capital of our Company but in no event shall exceed the limit prescribed in this paragraph.

d. *Maximum number of options to any one individual*

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of our Company (including both exercised and outstanding options) to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as of the date of grant. Any further grant of Options in excess of this 1% limit shall be subject to:

- (i) the issue of a circular by our Company containing the identity of the Eligible Participant, the numbers of and terms of the options to be granted (and options previously granted to such participant) the information as required under Rules 17.02(2)(d) and the disclaimer required under 17.02(4) of the Listing Rules; and
- (ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such Eligible Participant and his associates (as defined in the Listing Rules) abstaining from voting. The numbers and terms (including the exercise price) of options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the options to such Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares. The Board shall forward to such Eligible Participant an offer document in such form as the Board may from time to time determine.

e. *Price of Shares*

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) the official closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

f. *Granting options to connected persons*

Any grant of options to a director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates (as defined in the Listing Rules) is required to be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options). If the Board proposes to grant options to a substantial shareholder or any independent non-executive Director or their respective associates (as defined in the Listing Rules) which will result in the number of Shares issued and to be issued upon exercise of options granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% or such other percentage as may be from time to time provided under the Listing Rules of the Shares in issue; and
- (ii) having an aggregate value in excess of HK\$5 million or such other sum as may be from time to time provided under the Listing Rules, based on the official closing price of the Shares at the date of each grant, such further grant of options will be subject to the issue of a circular by our Company and the approval of the Shareholders in general meeting on a poll at which all connected persons (as defined in the Listing Rules) of our Company shall abstain from voting in favour, and/or such other requirements prescribed under the Listing Rules from time to time. Any vote taken at the meeting to approve the grant of such options shall be taken as a poll.

The circular to be issued by our Company to the Shareholders pursuant to the above paragraph shall contain the following information:

- (i) the details of the number and terms (including the exercise price) of the options to be granted to each selected Eligible Participant which must be fixed before the Shareholders' meeting and the date of Board meeting for proposing such further grant shall be taken as the date of grant for the purpose of calculating the exercise price of such options;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the options) to the independent Shareholders as to voting;
- (iii) the information required under Rule 17.02(2)(c) and (d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and
- (iv) the information required under Rule 2.17 of the Listing Rules.

g. Restrictions on the times of grant of Options

A grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date to first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's annual, half-year, quarterly or other interim period results (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of its annual or half-year, or quarterly or other interim period results (whether or not required under the Listing Rules)

and ending on the date of actual publication of the results announcement.

Where the grant of Options is to a director:

- (i) no options shall be granted 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 (if any) 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.

h. *Rights are personal to grantee*

An option is personal to the grantee and may be exercised or treated as exercised, as the case may be, in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt so to do.

i. *Time of exercise of Option and duration of the Share Option Scheme*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by our Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of its adoption. There is no minimum period for which an option must be held before it can be exercised.

j. *Performance target*

A grantee may be required to achieve any performance targets as the Board may then specify in the grant before any options granted under the Share Option Scheme can be exercised.

k. *Rights on ceasing employment or death*

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries:

- (i) by any reason other than death or termination of his employment on the grounds specified in paragraph l below, his option to the extent not already exercised on the date of such cessation (which date shall be the last actual working day with our Group or the related entity whether salary is paid in lieu of notice or not) shall lapse automatically on the date of cessation; or
- (ii) by reason of death, his personal representative(s) may exercise the option within a period of 12 months from such cessation, which date shall be the last actual working day with our Company or the relevant subsidiary whether salary is paid in lieu of notice or not, failing which it will lapse.

l. *Rights on dismissal*

If the grantee of an option ceases to be an employee of our Company or any of its subsidiaries on the grounds that he has been guilty of serious misconduct, or in relation to an employee of our Group (if so determined by the Board) on any other ground on which an employee 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, or has been convicted of any criminal offence involving his integrity or honesty or he has become insolvent, bankrupt or has made arrangements with creditors, his option will lapse and not be exercisable after the date of termination of his employment.

m. ***Rights on takeover***

If a general offer is made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror (as defined in the Takeovers Codes)) and such offer becomes or is declared unconditional during the option period of the relevant option, the grantee of an option shall be entitled to exercise the option in full (to the extent not already exercised) at any time within 14 days after the date on which the offer becomes or is declared unconditional.

n. ***Rights on winding-up***

In the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company referred to above by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given, whereupon our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot the relevant Shares to the grantee credited as fully paid.

o. ***Rights on compromise or arrangement between our Company and its members or creditors***

If a compromise or arrangement between our Company and its members or creditors is proposed for the purposes of a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of jurisdictions in which our Company was incorporated, our Company shall give notice to all the grantees of the options on the same day as it gives notice of the meeting to its members or creditors summoning the meeting to consider such a scheme or arrangement and any grantee shall be entitled to exercise all or any of his options in whole or in part at any time prior to 12 noon (Hong Kong time) on the business day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there are more than one meeting for such purpose, the date of the first meeting.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

p. *Ranking of Shares*

The Shares to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject to the aforesaid, Shares allotted and issued on the exercise of options will rank pari passu in all respects and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the other fully paid Shares in issue on the date of exercise.

q. *Effect of alterations to capital*

In the event of any alteration in the capital structure of our Company whilst any option may become or remains exercisable, whether by way of capitalisation issue, rights issue, open offer, consolidation, sub-division or reduction of share capital of our Company, or otherwise howsoever, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to any options so far as unexercised and/or the subscription price per Share of each outstanding option as the auditors of our Company or an independent financial adviser shall certify in writing to the Board to be in their/his opinion fair and reasonable in compliance with Rule 17.03(13) of the Listing Rules and the note thereto and the supplementary guidance issued by the Stock Exchange on 5 September 2005 and any future guidance and interpretation of the Listing Rules issued by the Stock Exchange from time to time.

Any such alterations will be made on the basis that a grantee shall have the same proportion of the issued share capital of our Company for which any grantee of an option is entitled to subscribe pursuant to options held by him before such alteration and the aggregate subscription price payable on full exercise of any option is to remain as nearly as possible the same (and in any event not greater than) as it was before such event. No such alteration will be made the effect of which would be to enable a Share to be issued at less than its nominal value. The issue of securities as consideration in a transaction is not to be regarded as a circumstance requiring any such alterations.

r. *Expiry of option*

An option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the option as may be determined by the Board;
- (ii) the expiry of any of the periods referred to in paragraphs k, l, m, n or o;
- (iii) the date on which the scheme of arrangement of our Company referred to in paragraph o becomes effective;
- (iv) subject to paragraph n, the date of commencement of the winding-up of our Company;

- (v) the date on which the grantee ceases to be an Eligible Participant by reason of such grantee's resignation from the employment of our Company or any of its subsidiaries or the termination of his or her employment or contract on any one or more of the grounds that he or she has been guilty of serious misconduct, or has been convicted of any criminal offence involving his or her integrity or honesty, or in relation to an employee of our Group (if so determined by the Board) or any other ground on which an employee 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. A resolution of the Board to the effect that the employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive; or
- (vi) the date on which the Board shall exercise our Company's right to cancel the option at any time after the grantee commits a breach of paragraph h above or the options are cancelled in accordance with paragraph t below.

s. *Alteration of the Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that:

- (i) any alteration to the advantage of the grantees or Eligible Participants (as the case may be) in respect of matters contained in Rule 17.03 of the Listing Rules; and
- (ii) any material alteration to the terms and conditions of the Share Option Scheme or any change to the terms of options granted, shall first be approved by the Shareholders in general meeting provided that the amended terms of the Share Option Scheme shall still comply with Chapter 17 of the Listing Rules. If the proposed alteration shall adversely affect any option granted or agreed to be granted prior to the date of alteration, such alteration shall be further subject to the grantees' approval in accordance with the terms of the Share Option Scheme.

t. *Cancellation of Options*

Subject to paragraph i above, any cancellation of options granted but not exercised must be approved by the grantees of the relevant options in writing.

u. *Termination of the Share Option Scheme*

Our Company may by resolution in general meeting or the Board at any time terminate the Share Option Scheme and in such event no further option shall be offered but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any option granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options granted prior to such termination but not yet exercised at the time of termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

v. *Administration of the Board*

The Share Option Scheme shall be subject to the administration of the Board whose decision as to all matters arising in relation to the Share Option Scheme or its interpretation or effect (save as otherwise provided herein) shall be final and binding on all parties.

w. *Condition of the Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of options to be granted under the Share Option Scheme;
- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as result of the waiver of any such condition(s)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise;
- (iii) the approval of the rules of the Share Option Scheme by the Shareholders in general meeting; and
- (iv) the commencement of dealings in Shares on the Stock Exchange.

x. *Disclosure in annual and interim reports*

Our Company will disclose details of the Share Option Scheme in its annual and interim reports including the number of options, date of grant, exercise price, exercise period and vesting period during the financial year/period in the annual/interim reports in accordance with the Listing Rules in force from time to time.

y. *Present status of the Share Option Scheme*

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the Share Option Scheme. Application has been made to the Listing Committee of the Stock Exchange for the listing of and permission to deal in Shares which may fall to be issued pursuant to the exercise of the options to be granted under the Share Option Scheme.

E. OTHER INFORMATION**1. Tax and other indemnities**

Mr. CHOW, Mr. TSANG, VGH and OGH (the “**Indemnifiers**”) have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for its subsidiaries) (being the material contract referred to in paragraph 1 above) to provide indemnities on a joint and several basis, in respect of, among other matters:

- a. any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of any transfer of property (within the meaning of sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or the equivalent thereof under the laws of any jurisdiction outside Hong Kong) to any member of our Group at any time on or before the Listing;
- b. tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation;
- c. all relocation costs and expenses which may be incurred by our Company and/or other subsidiaries of our Company as a result of or in connection with or arising out of eviction from certain leased properties in Fanling;
- d. any expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including but not limited to legal and other professional costs), charges, liabilities, fines, penalties in connection with any failure, delay or defects of corporate or regulatory compliance or errors, discrepancies or missing documents in the statutory records of any member of our Group under, or any breach of any provision of, the Companies Ordinance, the Companies (WUMP) Ordinance or any other applicable laws, rules or regulations on or before the date on which the Share Offer becomes unconditional; and
- e. any claim to which our Company may be subject in respect of any disputes, arbitrations or legal proceedings occurring on or before the Listing Date.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision or reserve has been made for such taxation in the audited accounts of any member of our Group for any accounting period up to 31 August 2017;

- (b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 1 September 2017 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifier, other than any such act, omission or transaction:
- i. carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after 1 September 2017; and
 - ii. carried out, made or entered into pursuant to a legally binding commitment created on or before 31 August 2017 or pursuant to any statement of intention made in the prospectus; or
- (c) to the extent that such taxation liabilities or claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department, or any other relevant authority (whether in Hong Kong or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation or claim after the date of the Deed of Indemnity with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited accounts of any member of our Group up to 31 August 2017 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifier' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifier' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

Under the Deed of Indemnity, the Indemnifier has also undertaken to us that it will indemnify and at all times keeps us fully indemnified, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages or other liabilities which any member of our Group may incur or suffer arising from or in connection with the implementation of the Reorganisation.

2. **Litigation**

Save as disclosed in the paragraphs headed "Non-compliance" and "Litigation and claims" in the section headed "Business" in this prospectus, neither our Company nor any of our subsidiaries 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 against any member of our Company or any of our subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Group.

3. Sole Sponsor

The Sole Sponsor has, on behalf of our Company, made an application to the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein and any Shares which may be issued upon the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme on the Stock Exchange. All necessary arrangements have been made to enable the securities to be admitted into CCASS.

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.

The Sole Sponsor will also receive a fee of HK\$4,500,000 to act as the sponsor to our Company in connection with the Share Offer.

4. Preliminary expenses

The preliminary expenses incurred and paid by our Company were approximately HK\$43,000.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinions and/or whose names are included in this prospectus:

Name	Qualifications
Innovax Capital Limited	A licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) of the regulated activities as defined under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Conyers Dill & Pearman	Legal adviser to our Company as to Cayman Islands laws
Ipsos Limited	Industry consultant
Zhong Lun Law Firm	Legal adviser to our Company as to Hong Kong laws (other than securities laws)
Beria Consultants Limited	A firm of quantity surveying consultant
BKF (Hong Kong) Consultants Limited	A firm of engineering consultant

7. Consents of experts

Each of the Sole Sponsor, PricewaterhouseCoopers, Conyers Dill & Pearman, Zhong Lun Law Firm, Ipsos Limited, Beria Consultants Limited and BKF (Hong Kong) Consultants Limited has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports, letters or opinions (as the case may be) and the references to its names or summaries of opinions 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 (WUMP) Ordinance so far as applicable.

9. 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. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of our Shares being sold or transferred.

Profits from dealings in our 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 transfer of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisors*

Intending holders of our Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasised that none of our Company, our Directors or other parties involved in the Share Offer 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 or exercising any rights attaching to them.

10. Litigation

As of the Latest Practicable Date, neither our Company nor any of our subsidiaries 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 against our Company or any of our subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Company.

11. Miscellaneous

(a) Save as disclosed herein:

(i) within two years preceding the date of this prospectus:

(aa) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash; and

(bb) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and

(cc) no commission has been paid or payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any shares in our Company or any of our subsidiaries;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) Neither our Company nor any of its subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.

(b) Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 31 August 2017 (being the date to which the latest combined financial statements of our Group were made up).

(c) There has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

12. 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).

13. Others

The English text of the prospectus shall prevail over the Chinese text.

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES
AND AVAILABLE FOR PUBLIC INSPECTION IN HONG KONG**

A. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, amongst other documents, copies of **WHITE, YELLOW** and **GREEN** Application Forms, the written consents referred to under the paragraph headed “Statutory and General Information — E. Other Information — 7. Consents of experts” in Appendix IV to this prospectus and copies of the material contracts referred to under the paragraph headed “Statutory and General Information — B. Further Information about Our Business — 1. Summary of material contracts” in Appendix IV to this prospectus.

B. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Sidley Austin at 39/F, Two International Financial Centre, 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 of Association;
- (b) the Accountant’s Report from PricewaterhouseCoopers in respect of the historical financial information for the years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017, the text of which is set forth in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information from PricewaterhouseCoopers, the text of which is set forth in Appendix II to this prospectus;
- (d) the audited combined financial statements of our Group for each of the three years ended 31 March 2015, 2016 and 2017 and the five months ended 31 August 2017;
- (e) the legal opinion prepared by Zhong Lun Law Firm in respect of our Group’s operation in Hong Kong;
- (f) the commissioned report prepared by Ipsos Limited;
- (g) the commissioned report prepared by Beria Consultants Limited in relation to our foundation project;
- (h) the commissioned reports prepared by BKF (Hong Kong) Consultants Limited in relation to our foundation projects;
- (i) the Companies Law;
- (j) the letter of advice prepared by Conyers Dill & Pearman summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;

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- (k) the material contracts referred to in the paragraph headed “Statutory and General Information — B. Further Information about Our Business — 1. Summary of material contracts” in Appendix IV to this prospectus;
- (l) the service contracts referred to in the paragraph headed “Statutory and General Information — C. Further Information about Substantial Shareholders, Directors and Experts — 2. Particulars of service contracts” in Appendix IV to this prospectus;
- (m) the rules of the Share Option Scheme; and
- (n) the written consents referred to in the paragraph headed “Statutory and General Information — E. Other Information — 7. Consents of experts” in Appendix IV to this prospectus.



VICON HOLDINGS LIMITED

