

Boltek Holdings Limited 寶燦控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8601

SHARE OFFER



Sole Sponsor

SUNWAH KINGSWAY
新華滙富

Kingsway Capital Limited

Joint Bookrunners and Joint Lead Managers

SUNWAH KINGSWAY
新華滙富

Kingsway Financial Services
Group Limited



中投証券(香港)
CHINA INVESTMENT SECURITIES (HK)

China Investment Securities
International Brokerage Limited



聯合證券
Head & Shoulders Securities

Head & Shoulders
Securities Limited

IMPORTANT

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

Boltek Holdings Limited

寶燧控股有限公司

(incorporated in the Cayman Islands with limited liability)

LISTING ON THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF SHARE OFFER

Number of Offer Shares : 200,000,000 Shares (subject to the Offer Size Adjustment Option)
Number of Placing Shares : 180,000,000 Shares (subject to reallocation and the Offer Size Adjustment Option)
Number of Public Offer Shares : 20,000,000 Shares (subject to reallocation)
Offer Price : Not more than HK\$0.40 per Offer Share and expected to be not less than HK\$0.30 per Offer Share (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value : HK\$0.01 per Share
Stock code : 8601

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Head & Shoulders
Securities 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, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies in Hong Kong" in Appendix V to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required under 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 the Price Determination Agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or before Tuesday, 4 September 2018, or such later date or time as may be agreed by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company. The Offer Price will not be more than HK\$0.40 per Offer Share and is expected to be not less than HK\$0.30 per Offer Share. If our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price by that date or time or such later date or time as agreed by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), the Share Offer will not become unconditional and will not proceed. The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with the consent of our Company, reduce the above indicative Offer Price range at any time prior to the Price Determination Date. In such a case, notice of the reduction in the indicative Offer Price range will be available on the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.boltekholdings.com.

Pursuant to the termination provisions contained in the Underwriting Agreements, the Joint Bookrunners have the right in certain circumstances, at their absolute discretion, to terminate the obligations of the Underwriters under the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the date when dealings in the Shares first commence on the Stock Exchange (such first dealing date is currently expected to be on Thursday, 13 September 2018). Details of the terms of the termination provisions are set out in the paragraph headed "Underwriting – Underwriting arrangements and expenses – Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

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

Wednesday, 29 August 2018

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

EXPECTED TIMETABLE

(Note 1)

Public Offer commences and **WHITE** and **YELLOW**

Application Forms available from 9:00 a.m. on
Wednesday, 29 August 2018

Application lists for Public Offer open ^(Note 2) 11:45 a.m. on
Monday, 3 September 2018

Latest time for lodging **WHITE** and **YELLOW**

Application Forms 12:00 noon on
Monday, 3 September 2018

Latest time for give **electronic**

application instructions to HKSCC ^(Note 3) 12:00 noon on
Monday, 3 September 2018

Application lists for Public Offer close ^(Note 2) 12:00 noon on
Monday, 3 September 2018

Expected Price Determination Date on or before ^(Note 4) Tuesday, 4 September 2018

Announcement of the final Offer Price, the level of indication
of interest in the Placing, the level of applications of the
Public Offer, the basis of allotment and the results of applications
in the Public Offer to be published in our Company's website at
www.boltekholdings.com and the website of the Stock
Exchange at www.hkexnews.hk on or before Wednesday, 12 September 2018

Announcement of results of allocations in the Public Offer
(with successful applicants' identification document numbers,
where appropriate) to be available through a variety of
channels including our Company's website at www.boltekholdings.com and
the website of the Stock Exchange at www.hkexnews.hk
(for further details, please refer to the section headed
"How to apply for Public Offer Shares –
10. Publication of results" of this prospectus)
on or before Wednesday, 12 September 2018

Results of allocations in the Public Offer will be available at
www.ewhiteform.com.hk/results with a "search by ID"
function on Wednesday, 12 September 2018

Despatch/collection of refund cheques in respect of wholly or
partially unsuccessful applications and wholly or partially
successful applications in case the final Offer Price is less than
the maximum Offer Price paid for the applications pursuant to
the Public Offer on or before ^(Notes 6 to 9) Wednesday, 12 September 2018

EXPECTED TIMETABLE

Despatch/collection of Share certificates in respect of wholly or partially successful applications pursuant to the Public Offer on or before ^(Notes 5 to 8 and 10) Wednesday, 12 September 2018

Dealings in Shares on GEM expected to commence at 9:00 a.m. on Thursday, 13 September 2018

Notes:

1. All times and dates refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” of this prospectus.
2. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 3 September 2018, the application lists will not open on that day. For further details, please refer to the section headed “How to apply for Public Offer Shares – 9. Effect of bad weather on the opening of the application lists” of this prospectus.
3. Applicants who apply for Public Offer Shares by giving electronic application instructions to HKSCC should refer to the paragraph headed “How to apply for Public Offer Shares – 5. Applying by giving electronic application instructions to HKSCC via CCASS” of this prospectus.
4. The Price Determination Date is expected to be on or before Tuesday, 4 September 2018. If, for any reason, the Offer Price is not agreed on or before Wednesday, 5 September 2018 between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), the Share Offer will not proceed and will lapse accordingly.
5. Share certificates for the Public Offer Shares are expected to be issued on or before Wednesday, 12 September 2018 but will only become valid certificates of title at 8:00 a.m. on Thursday, 13 September 2018 provided that (a) the Share Offer has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.
6. Applicants for 1,000,000 Public Offer Shares or more on **WHITE** Application Form(s) may collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally from our Hong Kong Branch Share Registrar, Boardroom Share Registrars (HK) Limited, at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, 12 September 2018 or any other day as announced by us as the date of despatch of Share certificates/refund cheques.

Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation’s chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar.
7. Applicants for 1,000,000 Public Offer Shares or more on **YELLOW** Application Forms may collect their refund cheques, if any, in person but may not collect their Share certificates personally which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participants’ stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.
8. Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant’s own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed “How to apply for Public Offer Shares – 13. Despatch/collection of share certificates and refund monies” of this prospectus.

EXPECTED TIMETABLE

9. Refund cheques will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$0.40 per Offer Share.
10. Share certificates will only become valid certificates of title provided that the Share Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their Share certificates or prior to the Share certificates becoming valid certificates of title do so entirely at their own risk.

In the event of any change to the above expected timetable after the date of this prospectus, an announcement will be made on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.boltekholdings.com accordingly. All Share certificates will only become valid certificates of title of the Shares which they relate provided that the Share Offer has become unconditional in all respects and the Underwriting Agreements have not been terminated in accordance with its terms at or before 8:00 a.m. (Hong Kong time) on the Listing Date.

For further details of the structure and conditions of the Share Offer, you should refer to the section headed "Structure and conditions of the Share Offer" of this prospectus.

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You should rely only on the information contained in this prospectus to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained or made in this prospectus must not be relied on by you as having been authorised by our Company, the Sponsor, the Joint Bookrunners, the Underwriters, any of their respective directors, affiliates, employees or representatives or any other person or party involved in the Share Offer.

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SUMMARY

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

BUSINESS OVERVIEW

We are an engineering consultant in Hong Kong with a focus on the field of infrastructure developments. During the Track Record Period, our engineering consultancy services mainly involved (i) civil engineering comprising mostly road and structural engineering and geotechnical engineering; and (ii) traffic engineering. To a lesser extent, we have also provided other ancillary services to our clients. According to F&S Report, our Group recorded the revenue of HK\$86.2 million for the provision of infrastructure engineering consultancy in the year of 2017, accounting for 3.0% of the market share in Hong Kong in the same year.

The following table sets forth a breakdown of our revenue, gross profit and gross profit margin during the Track Record Period by reference to the nature of our services:

	FY2016				FY2017				Three months ended 31 March 2017				2018			
	Revenue		Gross Profit		Revenue		Gross Profit		Revenue		Gross Profit		Revenue		Gross Profit	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
									(unaudited)		(unaudited)					
Civil engineering																
– Road and structural engineering	36,346	51.0			47,571	55.2			13,134	66.8			8,875	42.6		
– Geotechnical engineering	7,892	11.1			8,130	9.4			1,380	7.0			2,129	10.2		
– Others ^(Note)	7,359	10.3			6,001	7.0			507	2.6			586	2.9		
Sub-total	51,597	72.4	21,227	41.1	61,702	71.6	24,980	40.5	15,021	76.4	5,890	39.2	11,590	55.7	4,906	42.3
Traffic engineering	17,576	24.6	7,606	43.3	21,795	25.3	9,517	43.7	3,915	19.9	1,736	44.3	7,373	35.4	3,336	45.2
Other ancillary services	2,140	3.0	435	20.3	2,724	3.1	893	32.8	737	3.7	167	22.7	1,846	8.9	692	37.5
Total	71,313	100.0	29,268	41.0	86,221	100.0	35,390	41.0	19,673	100.0	7,793	39.6	20,809	100.0	8,934	42.9

Note: Others mainly included drainage engineering and marine engineering.

(I) Civil engineering

In respect of our civil engineering services, we have been the engineering consultant for a variety of infrastructure works mainly including roads, bridges, noise barriers, barrier-free access facilities, slope improvement, foundation works, drainage and riverwalls.

(II) Traffic engineering

Traffic engineering generally refers to the study, planning, design and maintenance of the traffic and transportation network. Our traffic engineering services comprise collection of traffic flow data, preparation of layout plan, detailed drawings for the design of roads and related road facilities and temporary traffic management schemes.

For further details on our services, please refer to the paragraph headed “Business – Description of our services” in this prospectus.

(III) Other ancillary services

During the Track Record Period, we also provided other ancillary services which mainly comprised (i) deployment of engineering and related staff to Government authority by recruiting, employing and remunerating appropriate individuals on contract basis; and (ii) advisory services on the implementation of contract administration procedures in infrastructure development project.

SUMMARY

Projects undertaken during the Track Record Period

For each of FY2016, FY2017 and the three months ended 31 March 2018, there were 332, 334 and 178 projects which contributed a total of HK\$71.3 million, HK\$86.2 million and HK\$20.8 million to our revenue, respectively.

Set out below is a breakdown of our projects based on their respective range of revenue recognised during the Track Record Period:

	FY2016	FY2017	Three months ended 31 March 2018
	<i>No. of projects</i>	<i>No. of projects</i>	<i>No. of projects</i>
Revenue recognised			
HK\$1 million or above	11	9	0
HK\$500,000 to below HK\$1 million	25	33	8
HK\$100,000 to below HK\$500,000	110	114	48
HK\$50,000 to below HK\$100,000	63	67	37
HK\$10,000 to below HK\$50,000	105	99	59
Below HK\$10,000	18	12	26
Total	332	334^(Note 1)	178^(Note 2)

Notes:

1. Out of the 334 projects which contributed revenue to FY2017, 163 projects also contributed revenue to FY2016.
2. Out of the 178 projects which contributed revenue to the three months ended 31 March 2018, 149 projects also contributed revenue to FY2017.

The following table sets forth the number of projects for which we have submitted tenders, the number of projects awarded and the success rate during the Track Record Period:

	FY2016	FY2017	Three months ended 31 March 2018
Number of projects for which we have submitted tenders	504	529	106
Number of projects awarded	166	157	33
Success rate (%)	32.9	29.7	31.1

Backlog

The following table sets out movement in the number of our projects during the Track Record Period and up to the Latest Practicable Date:

	FY2016	FY2017	For the three months ended 31 March 2018	From 1 April 2018 up to the Latest Practicable Date
Opening number of projects ^(Note 1)	221 ^(Note 5)	229 ^(Note 6)	229 ^(Note 7)	198 ^(Note 8)
Number of new projects awarded to us ^(Note 2)	166 ^(Note 5)	157 ^(Note 6)	33 ^(Note 7)	59 ^(Note 8)
Number of projects completed ^(Note 3)	158	157	64	91
Ending number of projects ^(Note 4)	229	229	198	166

SUMMARY

Notes:

1. Opening number of projects means the number of awarded projects which were not completed as of the beginning of the relevant year/period indicated.
2. Number of new projects means the number of new projects awarded to us during the relevant year/period indicated.
3. Number of projects completed means the number of projects which are practically regarded as completed.
4. Ending number of projects is equal to the opening number of projects plus number of new projects minus number of projects completed during the relevant year/period indicated.
5. Out of the 387 projects which represented the opening number of projects as at 1 January 2016 and the projects awarded to us in FY2016, (i) 332 projects had been commenced with revenue contribution to our Group in FY2016; (ii) 42 projects had been awarded but not yet commenced as at 31 December 2016; and (iii) 13 projects had been commenced but no works had been performed in FY2016.
6. Out of the 386 projects which represented the opening number of projects as at 1 January 2017 and the projects awarded to us in FY2017, (i) 334 projects had been commenced with revenue contribution to our Group in FY2017; (ii) 44 projects had been awarded but not yet commenced as at 31 December 2017; and (iii) 8 projects had been commenced but no works had been performed in FY2017.
7. Out of the 262 projects which represented the opening number of projects as at 1 January 2018 and the projects awarded to us for the three months ended 31 March 2018, (i) 178 projects had been commenced with revenue contribution to our Group for the three months ended 31 March 2018; (ii) 10 projects had been awarded but not yet commenced as at 31 March 2018; and (iii) 74 projects had been commenced but no works had been performed for the three months ended 31 March 2018.
8. Out of the 257 projects which represented the opening number of projects as at 1 April 2018 and the projects awarded to us during the period from 1 April 2018 up to the Latest Practicable Date, (i) we had made billing for 227 projects during the period from 1 April 2018 up to the Latest Practicable Date; (ii) 9 projects had been awarded but not yet commenced as at the Latest Practicable Date; and (iii) 21 projects had been commenced but no works had been performed during the period from 1 April 2018 up to the Latest Practicable Date.

The following table sets out the movement in the value of backlog of our projects during the Track Record Period and up to the Latest Practicable Date:

	FY2016	FY2017	Three months ended 31 March 2018	From 1 April 2018 up to the Latest Practicable Date
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening value of backlog	59,786	83,146	81,909	93,467
Total value of new projects and variation orders awarded ^(Note 1)	94,673	84,984	32,367	54,802
Revenue recognised ^(Note 2)	<u>71,313</u>	<u>86,221</u>	<u>20,809</u>	<u>34,123</u>
Ending value of backlog ^(Note 3)	<u><u>83,146</u></u>	<u><u>81,909</u></u>	<u><u>93,467</u></u>	<u><u>114,146</u></u>

Notes:

1. Total value of new projects and variation orders awarded means the initial contract sum of new projects awarded and variation orders issued by our clients in the relevant year/period indicated.
2. The revenue recognised for each year of the Track Record Period represents the audited revenue recognised for each of the two years ended 31 December 2017 and three months ended 31 March 2018, and the revenue recognised for the period from 1 April 2018 to the Latest Practicable Date represents the unaudited revenue recognised for the same period, in each case taking account of any additions and modifications due to variation orders (if any).
3. Ending value of backlog means the portion of the total estimated revenue that has not been recognised with respect to our projects which had not been completed as at the end of the relevant year/period indicated.

Our clients

Our clients during the Track Record Period mainly comprise (i) construction contractors undertaking civil engineering and building construction projects; (ii) different Government authorities; and (iii) other clients which mainly include public transportation corporation, property developers and architectural firms which need our consultancy services on the engineering aspects of the projects. For each of FY2016, FY2017 and the three months ended 31 March 2018, the number of clients with revenue contribution to our Group

SUMMARY

was 139, 149 and 93, respectively. The following table sets forth a breakdown of our revenue, gross profit, gross profit margin and number of projects undertaken during the Track Record Period by reference to the category of our clients:

	FY2016					FY2017				
	No. of projects	Revenue HK\$'000	%	Gross profit HK\$'000	Gross profit margin %	No. of projects	Revenue HK\$'000	%	Gross profit HK\$'000	Gross profit margin %
Construction contractors ^(Note 3)	266	51,673	72.5	23,644	45.8	268	65,742	76.2	28,365	43.1
Government authorities ^(Note 4)	23	12,390	17.4	3,200	25.8	27	15,302	17.7	5,139	33.6
Others ^(Note 5)	43	7,250	10.1	2,424	33.4	39	5,177	6.1	1,886	36.4
Total	332	71,313	100.0	29,268	41.0	334^(Note 1)	86,221	100.0	35,390	41.0

Three months ended 31 March										
	2017					2018				
	No. of projects	Revenue HK\$'000	%	Gross profit HK\$'000	Gross profit margin %	No. of projects	Revenue HK\$'000	%	Gross profit HK\$'000	Gross profit margin %
	(unaudited)	(unaudited)		(unaudited)						
Construction contractors ^(Note 3)	163	16,890	85.9	7,167	42.4	144	12,724	61.1	5,573	43.8
Government authorities ^(Note 4)	18	2,716	13.8	599	22.1	24	7,203	34.6	2,876	39.9
Others ^(Note 5)	4	67	0.3	27	40.3	10	882	4.3	485	55.0
Total	185	19,673	100.0	7,793	39.6	178^(Note 2)	20,809	100.0	8,934	42.9

Notes:

1. Out of the 334 projects which contributed revenue to FY2017, 163 projects also contributed revenue to FY2016.
2. Out of the 178 projects which contributed revenue to the three months ended 31 March 2018, 149 projects also contributed revenue to FY2017.
3. In respect of projects awarded by construction contractors, approximately HK\$37.2 million, HK\$51.2 million and HK\$9.8 million of our revenue, representing approximately 52.2%, 59.4% and 47.1% of our total revenue, was derived from projects of which project owners were Government authorities for FY2016, FY2017 and the three months ended 31 March 2018, respectively.
4. These include projects awarded to us directly by Government authorities.
5. Other clients mainly include public transportation corporation, property developers and architectural firms.

Our subconsultants

Depending on the scope of our services, we have from time to time engaged subconsultants of various professions, including Registered Structural Engineers, Registered Geotechnical Engineers, Authorised Persons, environmental specialists, electrical and mechanical engineers, architects and surveyors, to provide technical advice on (i) our investigation and feasibility studies; and (ii) our infrastructure designs and plans. For FY2016, FY2017 and the three months ended 31 March 2018, we incurred subconsultancy fees of approximately HK\$10.1 million, HK\$14.4 million and HK\$2.7 million, representing approximately 23.9%, 28.3% and 22.4% of our total cost of services, respectively.

COMPETITIVE LANDSCAPE AND COMPETITIVE STRENGTHS

According to the F&S Report, driven by the strong demand for infrastructure in Hong Kong, the capital works reserve fund increased from HK\$66.5 billion in 2012 to HK\$87.5 billion in 2016, with a CAGR of 7.1%. The estimated revenue of infrastructure engineering consultancy market in Hong Kong increased from HK\$2,025.3 million in 2012 to HK\$2,908.8 million in 2017, representing a CAGR of 7.5%, primarily due to the infrastructure developments associated with accelerated urban renewal and rising housing supply, and increasingly stringent engineering requirements, which drives the needs for infrastructure engineering consultancy. The sustained investment in infrastructure would

SUMMARY

continue to boost the demand for civil engineering and traffic engineering. The revenue of infrastructure engineering consultancy in Hong Kong is forecasted to reach HK\$4,112.4 million in 2022, at a CAGR of 7.2% from 2018 to 2022.

We believe that our competitive strengths include: (i) established track record in various kinds of infrastructure developments with different scales in Hong Kong; (ii) diversified client base and long-term working relationships with some of our major clients and different Government authorities; (iii) expertise in providing comprehensive engineering consultancy services to our clients; and (iv) experienced management and professional team of engineering staff.

BUSINESS STRATEGIES

We intend to pursue the following key business strategies: (i) setting up a new team specialising in the field of building development mainly comprising Registered Structural Engineers, Registered Geotechnical Engineer, Authorised Persons, architects, draftsmen, electrical and mechanical engineers, environmental specialists and building engineers; (ii) strengthening our in-house team of professional staff by mainly recruiting additional project manager, project engineers and draftsmen to increase our service capacity; (iii) apply for registration with the AACSB list of consultants; (iv) leasing additional office space to accommodate our planned expansion of manpower; (v) upgrading our information technology system to enhance our engineering design capability; (vi) acquiring additional motor vehicles to accommodate our transportation needs; and (vii) increasing our marketing effort. For further information, please refer to the paragraph headed “Business – Business Strategies” in this prospectus.

SALES AND MARKETING AND PRICING STRATEGY

During the Track Record Period, we secured all our new businesses through direct invitations for tender by clients. Our Directors consider that due to our proven track record and our relationship with our existing clients, we are able to leverage on our existing client base and our reputation in the engineering consultancy service industry in Hong Kong. Our corporate website serves as a marketing platform. During the Track Record Period, we have also provided sponsorships for industry-related seminars and charity functions which gave us exposure to other professionals in the engineering industry.

Our pricing is generally determined on a case-by-case basis based on certain mark-up over our estimated costs, having regard to various factors such as the scope of services, the estimated amount of time required and the personnel to be involved, subconsultancy services which are expected to be necessary and the prevailing market conditions. For further information, please refer to the paragraph headed “Business – Pricing strategy” in this prospectus.

RISK FACTORS

Potential investors are advised to carefully read the section headed “Risk factors” in this prospectus before making any investment decision in the Offer Shares. Some of the more particular risk factors include the following: (i) our engagements with our clients are non-recurrent in nature and there is no guarantee that we will be able to secure new projects; (ii) any increase in our engineering staff costs and any change in the availability of engineering staff may adversely affect our competitiveness and profitability; (iii) we may cease to be included in the Consultants’ Services Directory maintained by the EACSB, which in turn will reduce our exposure to potential Government projects; (iv) our success and continued growth are dependent on our key management team; and (v) any significant cost overruns may materially and adversely affect our business operation and financial performance.

LOSS MAKING PROJECT DURING THE TRACK RECORD PERIOD

During the Track Record Period, we recorded one loss making project which involved our civil engineering consultancy services in relation to the riverwall and other improvement works in Tai O, Hong Kong (the “**Tai O Project**”). The initial contract sum of the Tai O Project was approximately HK\$5.2 million. During the year ended 31 December 2015, we estimated that our total costs to be incurred for carrying out the Tai O Project would be higher than the total revenue derived therefrom. Therefore, a provision was made by us in

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respect of the projected loss to be incurred from the Tai O Project in 2015. In FY2016, FY2017 and the three months ended 31 March 2018, approximately HK\$0.4 million, HK\$0.7 million and HK\$17,000 of the loss in respect of the Tai O Project were offset by our provision made in 2015, respectively. As at 31 March 2018, the provision made for the Tai O Project was approximately HK\$1.9 million. For further details about this loss making project, please refer to the section headed “Business – Projects undertaken during the Track Record Period – Loss making project during the Track Record Period” in this prospectus.

KEY OPERATIONAL AND FINANCIAL DATA

The following tables set forth our key operational and financial data during the Track Record Period.

Highlights of combined statements of profit or loss and other comprehensive income

	FY2016	FY2017	Three months ended 31 March	
	HK\$'000	HK\$'000	2017 HK\$'000 (unaudited)	2018 HK\$'000
Revenue	71,313	86,221	19,673	20,809
Cost of services	(42,045)	(50,831)	(11,880)	(11,875)
Gross Profit	29,268	35,390	7,793	8,934
Profit before income tax	16,971	20,562	4,420	1,657
Income tax expense	(2,809)	(3,372)	(709)	(687)
Profit and total comprehensive income for the year/period	14,162	17,190	3,711	970

Summary of cost of services

	FY2016		FY2017		Three months ended 31 March 2018			
	HK\$'000	%	HK\$'000	%	2017 HK\$'000 (unaudited)	%	2018 HK\$'000	%
Staff costs	31,889	75.8	36,651	72.1	8,745	73.6	9,089	76.5
Subconsultancy fees	10,058	23.9	14,390	28.3	2,976	25.1	2,665	22.4
Others	530	1.3	485	1.0	172	1.4	138	1.2
Decrease in provision for the Tai O Project	(432)	-1.0	(695)	-1.4	(13)	-0.1	(17)	-0.1
	42,045	100.0	50,831	100.0	11,880	100.0	11,875	100.0

Highlights of combined statements of financial position

	As at 31 December 2016 HK\$'000	As at 31 December 2017 HK\$'000	As at 31 March 2018 HK\$'000
Non-current asset	1,153	1,362	1,373
Current assets	36,013	40,812	54,346
Current liabilities	18,320	19,498	15,066
Non-current liability	138	131	138
Net current assets	17,693	21,314	39,280
Net assets	18,708	22,545	40,515

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Highlights of combined statements of cash flows

	Three months ended 31 March			
	FY2016 HK\$'000	FY2017 HK\$'000	2017 HK\$'000 (unaudited)	2018 HK\$'000
Net cash generated from operating activities	11,864	9,483	5,493	6,712
Net cash used in investing activities	(995)	(683)	(159)	(136)
Net cash (used in)/generated from financing activities	(8,680)	(9,594)	–	8,927
Net increase/(decrease) in cash and cash equivalents	2,189	(794)	5,334	15,503
Cash and cash equivalents at the beginning of year/period	6,960	9,149	9,149	8,355
Cash and cash equivalents at end of year/period, represented by cash and bank balances	9,149	8,355	14,483	23,858
Operating profit before working capital changes	17,208	21,036	4,528	1,782
Changes in working capital	(2,764)	(9,116)	965	4,930
Cash generated from operations	14,444	11,920	5,493	6,712
Income tax paid	(2,580)	(2,437)	–	–
Net cash generated from operating activities	11,864	9,483	5,493	6,712

Summary of financial ratios

	FY2016 or as at 31 December 2016	FY2017 or as at 31 December 2017	Three months ended 31 March 2018 or as at 31 March 2018
Gross profit margin (%) <i>(Note 1)</i>	41.0	41.0	42.9
Net profit margin (%) <i>(Note 2)</i>	19.9	19.9	4.7
Return on equity (%) <i>(Note 3)</i>	75.7	76.2	2.4
Return on total assets (%) <i>(Note 4)</i>	38.1	40.8	1.7
Current ratio <i>(Note 5)</i>	2.0	2.1	3.6
Quick ratio <i>(Note 6)</i>	2.0	2.1	3.6

Notes:

- Gross profit margin is calculated as gross profit for the respective year/period divided by revenue of the respective reporting year/period.
- Net profit margin is calculated as net profit for the respective year/period divided by revenue of the respective reporting year/period.
- Return on equity is calculated by dividing net profit attributable to equity shareholders for the respective year/period by total equity attributable to equity shareholders as of the end of the respective year/period.
- Return on total assets is calculated by dividing net profit attributable to equity shareholders for the respective year/period by total assets as of the end of the respective year/period.
- Current ratio is calculated based on the total current assets for the respective year/period divided by total current liabilities as of the end of the respective year/period.
- Quick ratio is calculated based on the current assets less inventories for the respective year/period divided by current liabilities as of the end of the respective year/period.

Our revenue increased by HK\$14.9 million or 20.9%, from HK\$71.3 million for FY2016 to HK\$86.2 million for FY2017. We recorded an increase in all three major service types, namely civil engineering, traffic engineering and other ancillary services for FY2017.

SUMMARY

The revenue derived from civil engineering services increased by HK\$10.1 million in FY2017, mainly attributable to top one project with initial contract sum of HK\$16.3 million which we provided engineering consultancy services at tender stage of the proposed development at the Integrated Waste Management Facilities Phase 1 at Shek Kwu Chau, successfully awarded by clients F and G jointly in November 2016 and completed in June 2017. For each of FY2016 and FY2017, the revenue recognised for this project were HK\$3.9 million and HK\$12.7 million respectively, as the project was at its preliminary stage in FY2016 but the substantial work has been performed and completed in FY2017.

Apart from the substantial contribution for our revenue growth from the above top one project, the revenue from civil engineering services also slightly increase due to the general increase in size of projects undertaken.

The increase in our revenue in respect of traffic engineering by 24.0% in FY2017 mainly due to the sustained investment in infrastructure boost the demand for our consultancy services, which resulted in more business opportunities being presented to us, which in turn allowed us to focus on pursuing projects of larger scales and higher contract sum in which, the revenue generated from a Government department responsible for regulation of public transport services and operation of transport infrastructure increased by HK\$1.3 million in FY2017.

Despite the increase in revenue in FY2017, the net cash from operating activities decreased in the same period, mainly because more working capital was utilised in FY2017 as compared to FY2016. Comparing to the end of FY2016, (i) the trade and other receivables as well as contract assets increased mainly due to general increase in the size of projects awarded to our Group; (ii) the amount due to a director of HK\$1.2 million representing his remuneration for FY2016 was deferred and settled in cash in FY2017; and (iii) we received progress billing for the top one project during the Track Record Period in FY2016 when it first commenced in November 2016 according to the payment milestone schedule set out in its contract. Since the amount received by us for the top one project was higher than the amount of works handled by us in FY2016, it resulted in an increase in our contract liabilities for FY2016. Along with the progression of such project in FY2017, our Group incurred higher operating costs and resulted in a decrease in net cash flow from operating activities.

In response to the increase in our revenue, our gross profit also increased by approximately HK\$6.1 million, representing an increase of 20.9%, from approximately HK\$29.3 million for FY2016 to approximately HK\$35.4 million for FY2017. The overall gross profit margin maintained at 41.0% for FY2016 and FY2017.

CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), our ultimate Controlling Shareholder, Mr. Cheung, through Waywin Investment (an investment holding company owned as to 100% by Mr. Cheung) indirectly holds 53.25% interest in our Company. Please refer to the section headed “Substantial Shareholders” for details of the shareholding interest of our Controlling Shareholders.

PRE-IPO INVESTMENTS

Pursuant to the 1st Tranche Pre-IPO Subscription Agreement, on 13 March 2018, Mr. Cheng subscribed for 98 new ordinary shares in Richness Universal, at the consideration of HK\$3,500,000.00 (the “**1st Tranche Pre-IPO Subscription**”), and the transaction was completed on the same day. Pursuant to the 2nd Tranche Pre-IPO Subscription Agreement, on 28 March 2018, Polar Lights and Twinkle Galaxy each subscribed for 192 new ordinary shares in Richness Universal at the consideration of HK\$4,250,000.00 (the “**2nd Tranche Pre-IPO Subscription**”), and the transaction was completed on the same day.

It is expected that our Company will be owned as to 53.25% by Waywin Investment, 7.35% by Mr. Cheng, 7.20% by Polar Lights and 7.20% by Twinkle Galaxy upon Listing. For further information, please refer to the section headed “History, Reorganisation and Corporate Structure” in this prospectus.

SUMMARY

Mr. Cheng is an executive director of Chow Tai Fook Jewellery Group Limited (stock code: 1929) and an executive director of New World Development Company Limited (stock code: 0017), both of which are companies listed on the Stock Exchange.

Our Directors believe that the investments will benefit our Group by providing strategic and development cooperation opportunities and advice to the business of our Group. In particular, our Group may benefit from exposure to potential new referral clients obtained through Mr. Cheng's personal and business connections made while working in the property development industry, as well as Mr. Cheng's views on business management and market opportunities.

Polar Lights is directly wholly owned by Mr. Wong. Mr. Wong is experienced in the civil engineering industry and has been a director of a private construction company based in Hong Kong since 2002. Mr. Wong is a director and/or shareholder of two companies which were clients of Mannings, to whom Mannings provided consultancy services under two contracts in FY2016 and FY2017. Revenue contributed by the two companies in FY2016, FY2017 and the three months ended 31 March 2018 was approximately 0.2%, approximately 0.1% and 0% of our total revenue.

Twinkle Galaxy is directly wholly owned by Mr. Lam. Mr. Lam is the managing director of a private construction company based in Hong Kong since 2002 and has over 30 years of work experience in the civil engineering industry. Mr. Lam is a director of a company which was and, as at the Latest Practicable Date, still is a client of Mannings. Mannings provided consultancy services to said client and said client's joint venture entity under four contracts in FY2016, two contracts in FY2017 and three contracts in the three months ended 31 March 2018. Revenue contributed by this client and said client's joint venture entity in FY2016, FY2017 and the three months ended 31 March 2018 was approximately 0.7%, approximately 1.5% and approximately 2.1% of our total revenue.

To the best of the information and knowledge of the Directors, except as disclosed above, each of Mr. Cheng, Mr. Wong and Mr. Lam is an independent third party and has no past or present relationships with our Group, our Shareholders, our Directors, our senior management personnel, or any of their respective associates and any connected persons of our Company.

LITIGATION AND CLAIMS

As at the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance. In addition, our Directors are not aware of any litigation, arbitration or claim pending or threatened by or against us which may have a material adverse effect on our business, financial condition or results of operations.

OFFERING STATISTICS

Number of the Offer Shares	:	200,000,000 Shares (subject to the Offer Size Adjustment Option)
Offer Price	:	Not more than HK\$0.40 per Offer Share and expected to be not less than HK\$0.30 per Offer Share (excluding brokerage, Stock Exchange trading fee and SFC transaction levy)

	Based on an Offer Price of HK\$0.30 per Offer Share HK\$	Based on an Offer Price of HK\$0.40 per Offer Share HK\$
Market capitalisation ^(Note 1)	240,000,000	320,000,000
Unaudited pro forma adjusted combined net tangible assets per Share attributed to the Shareholders ^(Note 2)	0.10	0.12

Notes:

- The calculation of the market capitalisation of the Shares is based on 800,000,000 Shares in issue and to be issued immediately after completion of the Share Offer but does not take into account any Shares which may be allocated and issued upon the exercise of the Offer Size Adjustment Option or options which may be granted under the Share Option Scheme or Shares which may allotted and issued or repurchased by our Company pursuant to the issuing mandate and the repurchase mandate.
- Please refer to Appendix II to this prospectus for the bases and assumptions in calculating the figures.

SUMMARY

LISTING EXPENSES

Our Group expects that the total Listing expenses (inclusive of the underwriting commission and other related expenses), which is non-recurring in nature, will amount to HK\$25.0 million (base on the mid-point of the indicative range of the Offer Price). HK\$7.4 million is directly attributable to the issue of the Offer Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of HK\$17.6 million shall be charged to profit or loss of our Group for FY2018, in which HK\$3.7 million has been charged to profit or loss for the three months ended 31 March 2018.

FUTURE PLANS AND USE OF PROCEEDS

The net proceeds to be received by us from the Share Offer based on the Offer price of HK\$0.35 per Share being the mid-point of the indicative Offer Price range of HK\$0.30 per Offer Share to HK\$0.40 per Offer Share, after deducting related expenses in connection with the Share Offer, are estimated to be approximately HK\$45.0 million. Our Directors presently intend that the net proceeds will be applied as follows: (i) approximately HK\$26.3 million, representing 58.4% of the estimated net proceeds will be used for recruiting the professional personnel including Registered Structural Engineers, Registered Geotechnical Engineer, Authorised Persons, architects, draftsmen, electrical and mechanical engineers, environmental specialists, building engineers for setting up a new team specialising in the field of building development; (ii) approximately HK\$5.6 million, representing 12.4% of the estimated net proceeds will be used for strengthening our in-house team of professional staff by mainly recruiting additional project manager, project engineers and draftsmen; (iii) approximately HK\$2.6 million, representing 5.8% of the estimated net proceeds will be used for leasing additional office space; (iv) approximately HK\$2.4 million, representing 5.3% of the estimated net proceeds will be used for upgrading our information technology system; (v) approximately HK\$2.1 million, representing 4.7% of the estimated net proceeds will be used for the acquisition of additional motor vehicles to accommodate our transportation needs; (vi) approximately HK\$2.0 million, representing 4.5% of the estimated net proceeds will be used for strengthening our marketing effort; and (vii) approximately HK\$4.0 million, representing 8.9% of the estimated net proceeds will be used for our general working capital.

DIVIDEND

No dividends have been paid or declared by our Company since its date of incorporation. Prior to the Reorganisation, Mannings, a subsidiary of our Group, has declared and appropriated dividends to its then shareholder of HK\$13.0 million, HK\$13.4 million and nil for FY2016, FY2017 and the three months ended 31 March 2018 respectively.

The proposal of payment and the amount of our dividends for the future years will be subject to the Cayman Islands law and our Articles and made at the discretion of our Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, the interests of our Shareholders, taxation conditions, statutory and regulatory restrictions and other factors that our Board deems relevant. Any declaration of final dividend by our company shall also be subject to the approval of our Shareholders in a shareholders' meeting. We cannot assure you that we will declare or pay such or any amount of dividends.

RECENT DEVELOPMENT

Projects on hand

As at the Latest Practicable Date, our Group had 166 projects on hand (representing projects that have commenced but not completed as well as projects that have been awarded to us but not yet commenced) with an aggregate of HK\$114.1 million yet to be recognised as revenue after the Latest Practicable Date, among which, HK\$25.9 million, HK\$46.7 million, HK\$33.7 million and HK\$7.8 million is expected to be recognised as revenue after the Latest Practicable Date and up to 31 December 2018, FY2019, FY2020 and after FY2020, respectively. For further details, please refer to the paragraph headed "Business – Projects on hand" in this prospectus.

Save as disclosed in the paragraph headed "Financial Information – Listing expenses" in this prospectus, our Directors confirm that, up to the date of the prospectus, there has been no material adverse change in our financial or trading position since 31 March 2018 and there has been no event since 31 March 2018 which would materially affect the information shown in the Accountant's Report as set out in Appendix I to this prospectus.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

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

“1st Tranche Pre-IPO Subscription Agreement”	the subscription agreement dated 13 March 2018 entered into by Richness Universal and Mr. Cheng in respect of the subscription of new ordinary shares of Richness Universal
“2nd Tranche Pre-IPO Subscription Agreement”	the subscription agreement dated 28 March 2018 entered into by Richness Universal, Polar Lights and Twinkle Galaxy in respect of the subscription of new ordinary shares of Richness Universal
“AACSB”	Architectural and Associated Consultants Selection Board of the Architectural Services Department in Hong Kong
“Application Form(s)”	WHITE Application Form(s) and YELLOW Application Form(s), or where the context so requires, any of them, relating to the Public Offer
“Articles” or “Articles of Association”	the amended and restated articles of association of our Company adopted on 20 August 2018, a summary of which is set out in Appendix III to this prospectus, and as amended, supplemented or otherwise modified from time to time
“associate(s)”	has the meaning ascribed thereto it under the Listing Rules
“Authorised Person”	a person whose name is on the Authorised Persons’ register kept under section 3(1) of the BO as an architect, an engineer, or a surveyor
“barrier-free access facilities”	facilities designed to provide the elderly and individuals with disability with proper access to other premises and facilities
“Buildings Ordinance” or “BO”	the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Board” or “Board of Directors”	the board of Directors of our Company
“Building Authority”	the Building Authority of the Government
“Buildings Department”	the Buildings Department of Hong Kong

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Business Day” or “business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the allotment and issue of 599,998,000 new Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company as referred to in the paragraph headed “Further Information about our Company and its Subsidiaries – 3. Resolutions in writing of the Shareholders passed on 20 August 2018” in Appendix IV to this prospectus
“CAGR”	compounded annual growth rate
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant(s)”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant(s)”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant(s)”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman”	the chairman of our Board, Mr. Cheung Kwan Tar (張群達)
“CIHT”	Chartered Institution of Highways & Transportation
“close associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Companies Law” or “Cayman Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, modified and supplemented from time to time
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, modified and supplemented from time to time

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, modified and supplemented from time to time
“Company” and “our Company”	Boltek Holdings Limited (寶燴控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 18 April 2018 and registered as a registered non-Hong Kong company under Part 16 of the Companies Ordinance on 8 May 2018
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consultants’ Services Directory”	A directory compiled and kept by the EACSB which contains the names and addresses of engineering and associated consultants that have expressed an interest in working for the Government on a consultancy basis
“Controlling Shareholders”	has the meaning ascribed to it under the GEM Listing Rules and unless the context otherwise requires, means Mr. Cheung and Waywin Investment
“core connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Deed of Indemnity”	the deed of indemnity dated 20 August 2018 entered into by our Controlling Shareholders in favour of our Company (for itself and on behalf of our subsidiaries) as further detailed in the paragraph headed “Other information – 13. Tax and other indemnities” in Appendix IV to this prospectus
“Deed of Non-Competition”	the deed of non-competition undertaking dated 20 August 2018 entered into by our Controlling Shareholders in favour of our Company (for itself and on behalf of our subsidiaries) as further detailed in the section headed “Relationship with Controlling Shareholders” in this prospectus
“Director(s)”	the director(s) of our Company
“EACSB”	the Engineering & Associated Consultants Selection Board
“ERB”	the Engineers Registration Board established under the ERO

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“ERO”	Engineers Registration Ordinance
“F&S” or “Frost & Sullivan”	Frost & Sullivan Limited, an independent market research agent
“F&S Report” or “Frost & Sullivan Report”	a market research report commissioned by us and prepared by F&S on the overview of the industry in which our Group operates
“FY2016”	the financial year ended 31 December 2016
“FY2017”	the financial year ended 31 December 2017
“FY2018”	the financial year ending 31 December 2018
“FY2019”	the financial year ending 31 December 2019
“FY2020”	the financial year ending 31 December 2020
“GEM”	the GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended, modified and supplemented from time to time
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Government”	the Government of the Hong Kong Special Administrative Region
“Group”, “we”, “us” or “our Group”	our Company and its subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period before our Company became the holding company of its present subsidiaries pursuant to the Reorganisation
“HKD” or “HK\$” and “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HKICPA”	the Hong Kong Institute of Certified Public Accountants

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“HKIE”	the Hong Kong Institution of Engineers
“HKIHT”	the Hong Kong Institution of Highways and Transportation
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited
“Hong Kong”, “HKSAR” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Boardroom Share Registrars (HK) Limited, the Hong Kong branch share registrar of our Company
“Hong Kong Government”	the Government of Hong Kong
“Hong Kong Legal Counsel”	Mr. Chan Chung, barrister-at-law of Hong Kong, who is an independent third party
“ICE”	Institution of Civil Engineers
“independent third party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the GEM Listing Rules) any Directors, chief executive or Substantial Shareholders of our Company, its subsidiaries or any of their respective associates and not otherwise a connected person of our Company
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardization, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 9001”	a quality management system standard that is based on a number of quality management principles including a strong customer focus, the motivation and implication of top management, the process approach and continual improvement
“IStructE”	The Institution of Structural Engineers

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Joint Bookrunner(s)” or “Joint Lead Manager(s)”	Kingsway Financial Services Group Limited, China Investment Securities International Brokerage Limited and Head & Shoulders Securities Limited being the underwriters, the joint bookrunners and the joint lead managers to the Share Offer
“Latest Practicable Date”	Monday, 20 August 2018, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information in this prospectus prior to its publication
“Listing”	listing and the commencement of dealings of the Shares on GEM
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Thursday, 13 September 2018, on which dealings in the Shares first commence on GEM
“Listing Division”	The Listing Division of the Stock Exchange (with responsibility for GEM)
“Mannings”	Mannings (Asia) Consultants Limited (萬利仕(亞洲)顧問有限公司), a company incorporated in Hong Kong on 20 October 2005 with limited liability and upon completion of the Reorganisation indirectly wholly-owned by the Company
“Memorandum” or “Memorandum of Association”	the amended and restated memorandum of association of our Company adopted on 20 August 2018, a summary of which is set out in Appendix III to this prospectus, and as amended, supplemented or otherwise modified from time to time
“Mr. Cheng”	Mr. Cheng Chi Heng (鄭志恆)
“Mr. Cheung”	Mr. Cheung Kwan Tar (張群達), our Chairman, chief executive officer, executive director and one of the Controlling Shareholders
“Mr. Lam”	Mr. Lam Kwan Yuen (林坤源)
“Mr. Wong”	Mr. Wong Che Shing (王志誠)
“Ms. Chiu”	Ms. Chiu Chui Ping (趙翠萍), the spouse of Mr. Cheung

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“new Shares”	200,000,000 new Shares being offered for subscription at the Offer Price under the Share Offer
“noise barriers”	exterior structures designed to mitigate road traffic noises
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.40 per Share and expected to be not less than HK\$0.30 per Share at which the Offer Shares are to be offered under the Share Offer, to be determined in the manner as set out in the section headed “Structure and Conditions of the Share Offer” of this prospectus
“Offer Share(s)”	collectively, the Public Offer Shares and the Placing Shares
“Offer Size Adjustment Option”	the option expected to be granted by our Company to the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) under the Placing Underwriting Agreement exercisable prior to Listing, pursuant to which our Company may be required to allot and issue up to an aggregate of 30,000,000 additional Offer Shares representing up to 15% of the Offer Shares initially available under the Share Offer, at the Offer Price solely to cover over-allocation in the Placing
“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters at the Offer Price to selected professional, institutional and other investors as set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Placing Shares”	The 180,000,000 Shares being initially offered by our Company for subscription under the Placing subject to reallocation and the Offer Size Adjustment Option, as described under the section headed “Structure and conditions of the Share Offer” of this prospectus
“Placing Underwriter(s)”	the underwriter(s) that is/are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Placing Underwriting Agreement”	the underwriting agreement expected to be entered into on or around Tuesday, 4 September 2018 by, among others, our Company, our Controlling Shareholders, our executive Directors, the Sponsor and the Placing Underwriter(s) relating to the Placing
“Polar Lights”	Polar Lights Limited, a company incorporated in the BVI with liability limited by shares on 2 January 2018, which is wholly owned by Mr. Wong, who is an independent third party
“PRC” or “China”	the People’s Republic of China, which for the purpose of this prospectus, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Pre-IPO Investments”	the investment made by Mr. Cheng pursuant to the 1st Tranche Pre-IPO Subscription Agreement and the investments made by Polar Lights and Twinkle Galaxy pursuant to the 2nd Tranche Pre-IPO Subscription Agreement, which are detailed in the section headed “History, Reorganisation and Corporate Structure – Pre-IPO Investments” in this prospectus
“Pre-IPO Investors”	Mr. Cheng, Polar Lights and Twinkle Galaxy, each a “Pre-IPO Investor”
“Pre-IPO Subscription Agreements”	the 1st Tranche Pre-IPO Subscription Agreement and the 2nd Tranche Pre-IPO Subscription Agreement, each a “Pre-IPO Subscription Agreement”
“Predecessor Companies Ordinance”	the predecessor Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force from time to time before 3 March 2014
“Price Determination Agreement”	the agreement to be entered into by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date expected to be on or around Tuesday, 4 September 2018, on which the Offer Price will be determined for the purpose of the Share Offer
“Public Offer”	the issue and offer of the Public Offer Shares for subscription in Hong Kong at the Offer Price on and subject to the terms and conditions described in this prospectus and the Application Forms

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Public Offer Shares”	the 20,000,000 Shares initially being offered for subscription under the Public Offer, subject to re-allocation as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer whose names are set out in the section headed “Underwriting – Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the underwriting agreement dated Tuesday, 28 August 2018 entered into among our Company, our Controlling Shareholders, our executive Directors, the Sponsor, the Joint Bookrunners and the Public Offer Underwriter(s) relating to the Public Offer
“Registered Geotechnical Engineers”	a person whose name appears on the geotechnical engineers’ register kept by the Building Authority under section 3(3A) of the BO
“Registered Inspector”	a person who are qualified to perform the duties and functions of inspectors under section 3(3B) of the BO and whose name is on the list of architects, the list of engineers or the list of surveyors in the inspectors’ register kept by the Building Authority
“Registered Professional Engineer”	a person whose name is on the register of registered professional engineers kept by ERB under ERO
“Registered Structural Engineer”	a person whose name appears on the structural engineers’ register kept by the Building Authority under section 3(3) of the BO
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the shareholding and corporate reorganisation arrangements implemented by our Group in preparation for the Listing which is more particularly described in the section headed “History, Reorganisation and Corporate Structure” in this prospectus
“Richness Universal”	Richness Universal Limited, a company incorporated in BVI with liability limited by shares on 12 January 2018 and upon completion of the Reorganisation directly wholly-owned by our Company
“SFC” or “Securities and Futures Commission”	the Securities and Futures Commission of Hong Kong

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“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 or par value of HK\$0.01 each in the share capital of our Company, which are to be traded in HK dollars and listed on GEM
“Shareholder(s)”	holder(s) of the Share(s)
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 20 August 2018, the principal terms of which are summarised in the paragraph headed “Other information – 12. Share Option Scheme” in Appendix IV to this prospectus
“Sponsor” or “Kingsway”	Kingsway Capital Limited, the sponsor to our Company’s application for the Listing and a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
“sq.ft.”	square foot
“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 GEM Listing Rules
“Tai O Project”	an on-going project which involved our civil engineering consultancy services in relation to the riverwall and other improvement works in Tai O, Hong Kong, further details of which are set out in the paragraph headed “Business – Projects undertaken during the Track Record Period – Loss making project during the Track Record Period” in this prospectus
“Takeovers Code”	The Codes on Takeovers and Mergers and Share Buy-backs, as amended, supplemented or otherwise modified from time to time
“Track Record Period”	FY2016, FY2017 and the three months ended 31 March 2018

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Twinkle Galaxy”	Twinkle Galaxy Limited, a company incorporated in the BVI with liability limited by shares on 2 January 2018, which is wholly owned by Mr. Lam, who is an independent third party
“Underwriter(s)”	the Public Offer Underwriter(s) and the Placing Underwriter(s), details of which are set out in the section headed “Underwriting” in this prospectus
“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. Securities Act”	United States Securities Act of 1933, as amended, modified and supplemented from time to time
“Waywin Investment”	Waywin Investment Holding Limited (燁榮投資控股有限公司), a company incorporated in BVI with liability limited by shares on 6 March 2018 and wholly owned by Mr. Cheung and one of the Controlling Shareholders
“ WHITE Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s) and to be completed in accordance with the instructions in the section headed “How to apply for Public Offer Shares” in this prospectus
“ YELLOW Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be deposited directly into CCASS and to be completed in accordance with the instructions in section headed “How to apply for Public Offer Shares” in this prospectus
“%”	per cent

In this prospectus, the terms “associate(s)”, “close associate(s)”, “connected person(s)”, “core connected person(s)”, “connected transaction(s)”, “subsidiary(ies)”, “substantial shareholder(s)” and “significant shareholder(s)” shall have the meanings given to such terms in the GEM Listing Rules, unless the context otherwise requires.

All times and dates refer to Hong Kong local time and dates unless otherwise stated.

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 Group's business strategies and plans of operation;
- our Group's capital expenditure plans;
- the amount and nature of, and potential for, future development of our Group's business;
- our Group's operations and business prospects;
- our Group's dividend policy;
- the regulatory environment of our Group's industry in general;
- future development in our Group's industry; and
- factors beyond our control such as catastrophic losses from fires, floods, windstorms, earthquakes, diseases or other adverse weather conditions or natural disasters.

The words "aim", "anticipate", "believe", "could", "estimate", "expect", "intend", "may", "plan", "seek", "will", "would" and the negative of these words or other similar expressions or statements, as they relate to our Group, are intended to identify a number of these forward-looking statements. These forward-looking statements reflecting our Group's current views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions, including the risk factors described in this prospectus in the section headed "Risk factors". One or more of these risks or uncertainties may materialise, or underlying assumptions may prove incorrect.

Subject to the requirements of the GEM Listing Rules, our Company does not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way our Company expects, or at all. Accordingly, Shareholders should not place undue reliance on any forward-looking information. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

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

RISK FACTORS

Potential investors should carefully consider all of the information set out in this prospectus and, in particular, should consider the following risks and special consideration associated with an investment in our Company before making any investment decision in relation to the Offer Shares. If any of the possible events as described below materialises, our Group's business, financial position and prospects could be materially and adversely affected and the trading prices of the Shares could decline due to any of these risks, and you may lose all or part of your investment.

This prospectus contains certain forward-looking statements relating to our Group's plans, objectives, expectations and intentions which involve risks and uncertainties. Our Group's actual results may differ materially from those as discussed in this prospectus. Factors that could contribute to such differences are set out below as well as in other parts in this prospectus.

RISKS RELATING TO OUR BUSINESS

Our engagements with our clients are non-recurrent in nature and there is no guarantee that we will be able to secure new projects

During the Track Record Period, we provide engineering consultancy services to our clients on a project-by-project basis and our engagements with our clients are non-recurrent in nature. Therefore, our clients are under no obligation to continue to award contracts to us and there is no guarantee that we will be able to secure new contracts in the future. Accordingly, the number and scale of contracts and the amount of revenue that we are able to derive therefrom are affected by a series of factors including but not limited to changes in our clients' businesses, changes in market conditions and changes in Government policies.

Consequently, our revenue may vary significantly from period to period, and it may be difficult to forecast the volume of our future business. For each of FY2016, FY2017 and the three months ended 31 March 2018, the tender success rate for our engineering consultancy services was 32.9%, 29.7% and 31.1%, respectively. Our tender success rate is affected by a range of factors including our pricing and tender strategy, competitors' tender and pricing strategy, level of competition and our clients' evaluation standards. There is no guarantee that we will be able to achieve a tender success rate similar to those during the Track Record Period in the future.

Depending on the market condition and competitive landscape, we may have to lower our pricing or adjust our tender strategy in order to maintain the competitiveness of our tenders. In the event that our Group fails to secure new projects from our clients of contract values, size and/or margins comparable to existing ones, our business and financial performance and results of operations will be materially and adversely affected.

RISK FACTORS

Any increase in our engineering staff costs and any change in the availability of engineering staff may adversely affect our competitiveness and profitability

We rely on the expertise of our in-house engineering team for the provision of engineering consultancy services for our clients. As such, we consider that our in-house engineering team is crucial to the day-to-day operations and the continuing success of our Group.

For each of FY2016, FY2017 and the three months ended 31 March 2018, our staff costs under our cost of services amounted to approximately HK\$31.9 million, HK\$36.7 million and HK\$9.1 million, representing approximately 75.8%, 72.1% and 76.5% of our total cost of services, respectively. Our staff costs under our cost of services primarily represent salaries and benefits incurred in respect of our engineering staff.

Our staff costs may be affected by the demand and supply of engineering staff in Hong Kong as well as other economic factors such as inflation rate and general standard of living. There is no guarantee that the supply of engineers in Hong Kong will remain stable. In the event that we fail to retain our existing engineering staff and/or recruit sufficient and capable engineering staff in a timely manner for our existing or future projects and/or there is a significant increase in our staff costs, our operations and profitability may be materially and adversely affected.

We may cease to be included in the Consultants' Services Directory maintained by the EACSB, which in turn will reduce our exposure to potential Government projects

Mannings, our principal operating subsidiary, is one of the engineering consultants on the Consultants' Services Directory maintained by the EACSB. The EACSB's jurisdiction covers consultancies in the following fields: civil engineering, geotechnical engineering, structural engineering (excluding Architectural Services Department), mechanical engineering, electrical engineering and electronics, development, planning, transportation, water resources, environmental planning and engineering, and chemical engineering. The Consultants' Services Directory is made available to different Government authorities for selection and engagement of suitable engineering and associated consultants to carry out Government projects. For further details, please refer to the section headed "Regulatory overview – (3) Guidelines on the selection of consultants for Government projects" in this prospectus.

The Consultants' Services Directory serves as a source of information in addition to Government departments' other suitable sources of potential consultants. Selection of consultants would not be restricted to the firms in the Consultants' Services Directory and all consulting firms having the potential to provide the services would be considered. Nevertheless, if we cease to be included in the Consultants' Services Directory, the Government departments may have to rely on other sources to access the profile of Mannings, which, in turn, will reduce our exposure to potential Government projects. Further, the EACSB Secretariat may from time to time require a consulting firm to verify its own information that was found incorrect or dubious. In case that Mannings is requested by the EACSB Secretariat to provide any clarification or response for its profile and the clarification or response provided by Mannings is not satisfactory or not within the specified

RISK FACTORS

deadline, the information of Mannings may be removed from the Consultants' Services Directory. As a result, the reduction in our exposure to potential Government projects may adversely affect our business, financial position and operating results.

Our success and continued growth are dependent on our key management team

We believe that our success is, to a certain extent, attributable to the extensive industry knowledge and experience of our management team led by Mr. Cheung, our Chairman, chief executive officer and executive Director, and Mr. Ng, our executive Director, supported by our in-house engineering team comprising Registered Professional Engineers, Chartered Engineers, members of various professional engineering institutions including HKIE, ICE, IStructE and CIHT, and other engineering staff, who possess practical skills and experience as required in handling our projects. The details of our management team, including their relevant areas of expertise, are set out in the section headed "Directors and Senior Management" in this prospectus. The dedication of our senior management team has contributed to the stability of our senior management. Our continued success is dependent, to a large extent, on the ability to attract and retain the services of the key management team, including our executive Directors.

We believe that an experienced management team as well as dedicated members of staff will contribute significantly to our future growth. Accordingly, the loss of services of any of our key management without suitable and timely replacements may lead to disruption in our operations, loss or deterioration of important business relations and have a material adverse effect on our business operations and prospects.

Any significant cost overruns may materially and adversely affect our business operation and financial performance

Our projects are generally awarded through tender. The contract sum quoted in the tender is determined after evaluation of our scope of work and taking into account (i) the scope of services; (ii) the estimated amount of time required and the personnel to be involved; (iii) the nature and complexity of the project; (iv) background and credibility of the clients; (v) the availability of our manpower and resources; (vi) the duration of the projects; (vii) any subconsultancy services which are expected to be necessary; and (viii) the prevailing market conditions. For further details on our pricing strategy, please refer to the paragraph headed "Business – Pricing strategy" in this prospectus.

Our profitability is therefore dependent on our ability to manage our staff costs and secure services from our subconsultants with competitive fees at or below our estimated costs, as well as our ability to execute the projects efficiently.

There is no assurance that our actual costs incurred will not exceed the estimated costs, due to under-estimation of costs, excessive wastage, inefficiency, damage or unforeseen additional costs incurred during the course of the contract. Any under-estimation of costs, delay or other circumstances resulting in cost overruns may adversely affect our profitability, business operation and financial performance.

RISK FACTORS

Unsatisfactory performance by our subconsultants or unavailability of subconsultants may adversely affect our operations and profitability

Depending on the scope of our services, we have from time to time engaged subconsultants of various professions, including Registered Structural Engineers, Registered Geotechnical Engineers, Authorised Persons, environmental specialists, electrical and mechanical engineers, architects and surveyors to provide technical advice on (i) our investigation and feasibility studies; and (ii) our infrastructure designs and plans. For FY2016, FY2017 and the three months ended 31 March 2018, we incurred subconsultancy fees of approximately HK\$10.1 million, HK\$14.4 million and HK\$2.7 million, representing approximately 23.9%, 28.3% and 22.4% of our total cost of services, respectively.

There is no assurance that the quality of services of our subconsultants can meet the requirements of our Group or our clients. We may not be able to monitor the performance of our subconsultants. Therefore, the engagement of subconsultants exposes us to the risks associated with non-performance, late performance or sub-standard performance of our subconsultants. Since we remain accountable to our clients for the performance and quality of services rendered by our subconsultants, we may incur additional costs or be subject to liability under the relevant contracts between us and our clients for our subconsultants' unsatisfactory performance. Such events could adversely affect our reputation, business operation, and financial position.

In addition, there is no assurance that our Group will always be able to secure services from suitable subconsultants when required, or be able to negotiate acceptable fees and terms of service with subconsultants. In such event, our operation and financial position may be adversely affected.

Our business plan may not be implemented successfully which may adversely affect our prospect

Our Directors are of the view that the future plan of our Group has been prepared after due enquiry by reference to the expected future prospect of infrastructure and building development and policies of the Government and the continuation of our competitive advantages and other factors considered relevant. Some of our future business strategies are based on certain assumptions, as discussed in the section headed "Future plans and use of proceeds" in this prospectus. The successful implementation of our business plan may be affected by a number of factors including the availability of sufficient funds, Government policies relevant for infrastructure and building development, the economic conditions, our ability to maintain our existing competitive advantages, our relationships with our clients, the threat of substitutes and new market entrants as well as other factors disclosed elsewhere in this section headed "Risk factors". There is no assurance that our business plan can be successfully implemented. Should there be any material adverse change in our operating environment which results in our failure to implement our business plan or any part thereof, our business and financial position and prospect may be adversely affected.

RISK FACTORS

Our past revenue and profit margin may not be indicative of our future revenue and profit margin, which may be adversely affected by the implementation of our expansion plan

For each of FY2016, FY2017 and the three months ended 31 March 2018, our revenue amounted to approximately HK\$71.3 million, HK\$86.2 million and HK\$20.8 million, respectively; our gross profit amounted to approximately HK\$29.3 million, HK\$35.4 million and HK\$8.9 million, respectively (representing gross profit margin of approximately 41.0%, 41.0% and 42.9% respectively); while our net profit amounted to approximately HK\$14.2 million, HK\$17.2 million and HK\$1.0 million, respectively (representing net profit margin of approximately 19.9%, 19.9% and 4.7%, respectively).

However, such trend of historical financial information of our Group is a mere analysis of our past performance only and does not have any positive implication on and may not necessarily reflect our financial performance in the future. Our future performance will depend on our ability to secure new businesses and to control our costs and will be subject to risk factors set out in this section. Profit margins for our engineering consulting projects may fluctuate from project to project due to factors such as the accuracy of our estimation of our costs when committing to the amount of our fees and the complexity of the project. There is no assurance that our profit margins in the future will remain.

In particular, our Group intends to apply approximately 70.8% of our net proceeds from the Share Offer to (i) recruit various professional personnel including Registered Structural Engineers, Registered Geotechnical Engineer, Authorised Persons, architects, draftsmen, electrical and mechanical engineers, environmental specialists and building engineers to set up a new team specialising in the field of building development; and (ii) further expand our in-house capacity in performing engineering consultancy projects for infrastructure development. For further details on our future plans and intended use of the net proceeds, please refer to the section headed “Future plans and use of proceeds” in this prospectus. Based on the intended timing of deployment of the proceeds for recruitment of additional staff, it is estimated that our Group will incur additional staff costs of approximately HK\$1.0 million and HK\$10.4 million for the years ending 2018 and 2019, respectively.

Our planned investments in labour resources will increase our staff costs and operating expenses but there is no guarantee that our revenue will increase proportionately as a result of such investments. If we are unable to generate more revenue following such investments, our future profitability and financial performance may be adversely affected.

We are subject to credit risk in relation to the collectability of our trade receivables

We are subject to the credit risks and our liquidity is dependent on our clients making prompt payments on billings for work done by us. As at 31 December 2016, 2017 and 31 March 2018, our trade receivables amounted to approximately HK\$18.5 million, HK\$19.8 million and HK\$15.6 million respectively, of which approximately HK\$6.2 million, HK\$10.8 million and HK\$5.2 million have been past due but not impaired respectively.

RISK FACTORS

There is no assurance that we will be able to bill all or any part of the amounts due from clients for our services rendered according to the billing schedule as stated in our service contracts, or that we will be able to recover all or any part of trade receivable from clients within the credit terms granted by us to our clients or at all. Further, for each of FY2016, FY2017 and the three months ended 31 March 2018, our trade receivables turnover days were approximately 88 days, 81 days and 77 days respectively. Any difficulty in collecting a substantial portion of our trade receivables from our clients could materially and adversely affect our cash flows and financial position.

We recorded a decrease in our net cash generated from operating activities from FY2016 to FY2017. If we record a further decrease in our net cash generated from operating activities in the future, our liquidity and financial condition may be materially and adversely affected

Our net cash generated from operating activities decreased from approximately HK\$11.9 million for FY2016 to approximately HK\$9.5 million for FY2017, which was mainly because (i) the trade and other receivables as well as contract assets increased owing to general increase in the size of projects awarded to our Group; (ii) the amount due to a director of HK\$1.2 million representing his remuneration for FY2016 was deferred and settled in cash in FY2017; and (iii) we received progress billing for the top one project during the Track Record Period in FY2016 when it first commenced in November 2016 according to the payment milestone schedule set out in its contract. Since the amount received by us for the top one project was higher than the amount of works handled by us in FY2016, it resulted in an increase in our contract liabilities for FY2016. Along with the progression of such project in FY2017, our Group incurred higher operating costs and resulted in a decrease in net cash flow from operating activities. Please refer to the paragraph headed “Financial Information – Liquidity and capital resources” in this prospectus for further details.

In the event that there is a further decrease in our net cash generated from operating activities and we are unable to generate sufficient cash flow for our operations or otherwise unable to obtain sufficient funds to finance our business, our liquidity and financial condition may be materially and adversely affected. We cannot assure that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur additional financing costs, and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all.

We may be exposed to professional indemnity liabilities

We may be liable to potential claims or lawsuits in respect of our engineering consultancy services made against us in the event that our client alleges they have sustained financial losses due to our breach of duty in our profession as an engineering consultant by reason of any negligent act, error or omission committed or allegedly committed by us or our subconsultants.

Our Group has taken out professional indemnity insurance policy to cover our potential exposure in this regard. For further details on the insurance policies maintained by our Group, please refer to the paragraph headed “Business – Insurance” in this prospectus. There

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is no assurance that the claim from our clients would not exceed the coverage under our professional indemnity insurance policy in which case our business operations, professional reputation and financial position may be adversely and materially affected.

We may incur unanticipated and non-recoverable costs in order to meet the specifications of our clients

In the course of providing our engineering consultancy services, our clients or Government authorities may request us to amend or vary any of our project deliverables such as engineering and technical designs. A certain extent of comments and variations to be made to the aforementioned documents is generally accounted for in our service fee under our engagements. Any substantial amendments outside of the agreed scope of services would be subject to additional charges to be agreed by our clients and us.

However, there is no assurance that our clients will not dispute on the agreed scope of variations or that agreement on the rate of the additional variation works can be reached between our clients and us. If the rate of additional variations works determined and agreed between our clients and us is materially lower than our original estimation in assessing the profit or loss of the project, our results of operations may be adversely affected. Further, if agreements cannot be reached and we are not paid for the variation works, contractual disputes with our clients may arise and extra costs, such as legal fees, may be incurred in the relevant project, thereby materially and adversely affecting our profitability, finance performance and results of operations.

In particular, during the Track Record Period, we recorded one loss making project which involved our civil engineering consultancy services in relation to the riverwall and other improvement works in Tai O, Hong Kong (the “**Tai O Project**”). The initial contract sum of the Tai O Project was approximately HK\$5.2 million. During the year ended 31 December 2015, we estimated that our total costs to be incurred for carrying out the Tai O Project would be higher than the total revenue derived therefrom. Therefore, a provision was made by us in respect of the projected loss to be incurred from the Tai O Project in 2015. In FY2016, FY2017 and the three months ended 31 March 2018, approximately HK\$0.4 million, HK\$0.7 million and HK\$17,000 of the loss in respect of the Tai O Project were offset by our provision made in 2015, respectively. As at 31 March 2018, the provision made for the Tai O Project was approximately HK\$1.9 million. For further details about this loss making project, please refer to the section headed “Business – Projects undertaken during the Track Record Period – Loss making project during the Track Record Period” in this prospectus. We cannot assure that our future projects will not be loss making. If any of our existing or potential project is loss making in the future, our operating results and financial performance will be adversely affected.

RISK FACTORS

Our insurance coverage may not be adequate to cover potential liabilities

Certain risks disclosed elsewhere in this section such as risks in relation to our ability to obtain new contracts, our ability to retain and attract engineering staff, performance of subconsultants, project and cost management, credit risk and liquidity risk, are generally not covered by insurance because they are either uninsurable or it is not cost justifiable to insure against such risks. Insurance policies covering losses from acts of war, terrorism, or natural catastrophes are also either unavailable or cost prohibitive.

We have taken out professional indemnity insurance to protect ourselves from bearing the full costs of negligence claims made by our clients. We have also maintained employee's compensation insurance and medical insurance for our employees. Even so, we may be subject to liabilities against which we are not insured adequately or at all or liabilities against which cannot be insured. Should any significant liabilities arise due to accidents, natural disasters, or other events which are not covered or are inadequately covered by our insurance, our business may be adversely affected, potentially lead to a loss of assets, lawsuits, employee compensation obligations, or other form of economic loss.

Although we believe our insurance coverage is sufficient for the needs of our operations and appropriate for our current risk profile, we cannot guarantee that our current levels of insurance are sufficient to cover all potential risks and losses. In addition, we cannot guarantee that we can renew our policies or can renew our policies on similar or other acceptable terms. If we suffer from severe unexpected losses or losses that far exceed the policy limits, it could have a material and adverse effect on our business, financial position, results of operations and prospect.

We may be exposed to risks of potential computer system failure and disruptions

In developing engineering designs and technical drawings, our engineering staff and draftsmen are substantially aided by the use of computer programs to perform technical calculations, formulate engineering details and develop drawings. Our Group is therefore reliant on such computer programs for the provision of our engineering consultancy services.

Our Group has maintained an information technology support for the computer hardware and data storage. The data centre and the computer server of our Group are currently situated at our premises in Hong Kong with restricted access to authorised persons. Our Group's back-up facilities may become malfunctioned in the event of physical breakdown of and damage to our computer hardware, thereby resulting in a loss of data.

There is no assurance that our Group can protect the computer hardware and data storage from all possible damage, including, acts of nature, telecommunications breakdown, electricity failure or similar unexpected events. Any damage to our computer hardware and data will cause business interruption to our Group, and thus will directly and adversely affect our business operations, professional reputation and financial performance.

Further, the network computer system of our Group is vulnerable to the attack of computer virus, worms, trojan horses, hackers or other similar computer network disruptive problems. Any failure in safeguarding our computer network system from these disruptive

RISK FACTORS

problems will cause the breakdown of our computer network system and leakage of confidential information, including the designs of our Group and information of our projects and our clients. There is no assurance that our computer network system is absolutely secured. Any failure in the protection of our computer network system from external threats may cause disruption of our operations and may damage our reputation for any breach of confidentiality to our clients and in turn, may indirectly and adversely affect the business operations and performance of our Group.

RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

Reduction in the level of Government's spending on infrastructure developments may materially and adversely affect our business and financial position

For each of FY2016, FY2017 and the three months ended 31 March 2018, 52.2%, 59.4% and 47.1% of our total revenue was derived from providing engineering consultancy services for projects whose project owners were Government authorities, and 17.4%, 17.7% and 34.6% of our total revenue was derived from projects directly awarded by the Government authorities, respectively. Therefore, a significant portion of our Group's business is attributable to the Government's policies and expenditure on infrastructure developments in Hong Kong. There is no assurance that the Government will continue to commit to a similar level of expenditure on infrastructure developments.

According to the F&S Report, infrastructure development in Hong Kong is highly attributable to the continuous efforts, commitment and capital expenditure of the Government. There is no assurance that the Government will continue to pursue continual support in infrastructure development. If the Government reduces its expenditure or continual support on infrastructure development, our business, results of operations and prospects may be adversely affected.

If the Government formulates policies which reduce its support for infrastructure developments, there may be a reduction in Government expenditure on infrastructure development and/or a reduction in investments in new infrastructure or upgrading or expansion of existing infrastructure. In the event of a reduced number of infrastructure development projects available for tender, our business, financial position and prospects may be materially and adversely affected.

We face intense competition

The engineering consultancy industry is highly competitive with the presence of both local and international service providers. As such, we have to compete with other engineering consultants in terms of price, service quality, reputation and client relationship on a local and international scale. According to the F&S Report, there are over 150 companies in the infrastructure engineering consultancy market in Hong Kong. The rapid expansion of engineering consultancy services providers will intensify competition in the market which may induce price competition. If we fail to compete effectively, our business operations and financial condition will suffer.

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Rising salary indices of engineering staff may increase our costs of operation

According to the F&S Report, the nominal salary indices of employees engaged in the infrastructure engineering consultancy industry in Hong Kong have increased from 133.4 in 2012 to 164.3 in 2017, representing a CAGR of about 4.3%, mainly due to the accelerated infrastructure development, which drives the needs for engineering consultancy services. The rising trend of salary indices of infrastructure engineering staff in Hong Kong may increase our operating costs which could materially and adversely affect our business operation and financial condition.

Filibustering at the Public Works Sub-committee of the Finance Committee of the Legislative Council may hinder the progress of our projects funded by the Government

Our engagements in Government-funded projects directly or indirectly rely on the timely funding approval by the Public Works Sub-committee of the Finance Committee of the Legislative Council of Hong Kong. The filibuster in the Legislative Council has caused delay to Government-funded projects, which could slow down the construction industry as a whole. Filibuster in the Legislative Council refers to the legislative procedure to block or delay the approval of funding or proposed bills by the committees of the Legislative Council. It may decrease the number of civil engineering and building construction projects in the industry because it potentially causes the disapproval or delay of Government-funded projects, particularly for infrastructure and public building construction projects in Hong Kong. Since Government-funded projects might be impacted by filibusters, number of civil engineering and building construction projects may decrease. This could lower the demand for engineering consultancy services and adversely affect our operations and financial performance.

RISKS RELATING TO THE SHARE OFFER

There has been no prior public market for the Shares and the liquidity, market price and trading volume of the Shares may be volatile

Prior to the Listing, there is no public market for the Shares. The listing of, and the permission to deal in, the Shares on the Stock Exchange do not guarantee the development of an active public market or the sustainability thereof following completion of the Share Offer. Factors such as variations in our Group's revenues, earnings and cash flows, acquisitions made by our Group or its competitors, industrial or environmental accidents suffered by our Group, loss of key personnel, litigation, fluctuations in the market prices for our service, products or labours, the liquidity of the market for the Shares, or the general market sentiment regarding the industry in which we operate could cause the market price and trading volume of the Shares to change substantially. In addition, both the market price and liquidity of the Shares could be adversely affected by factors beyond our Group's control and unrelated to the performance of our Group's business, especially if the financial market in Hong Kong experiences a significant price and volume fluctuation. In such cases, investors may not be able to sell their Shares at or above the Offer Price.

RISK FACTORS

Investor may experience dilution if we issue additional Shares in the future

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

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

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

There is no guarantee that our Controlling Shareholders will not dispose of their Shares following the expiration of their respective lock-up periods after the Listing. Our Group cannot predict the effect, if any, of any future sales of the Shares by any of our Controlling Shareholders, or that the availability of the Shares for sale by any of our Controlling Shareholders may have on the market price of the Shares. Sales of a substantial number of Shares by any of our Controlling Shareholders or the market perception that such sales may occur could materially and adversely affect the prevailing market price of the Shares.

Future issues, offers or sale of Shares may adversely affect the prevailing market price of the Shares

Future issue of Shares by our Company or the disposal of Shares by any of the Shareholders or the perception that such issues or sale may occur, may negatively impact the prevailing market price of the Shares. We cannot give any assurance that such event will not occur in the future.

RISKS RELATING TO THE PROSPECTUS

Statistics and industry information contained in this prospectus may not be accurate and should not be unduly relied upon

Certain facts, statistics, and data presented in the section “Industry overview” and elsewhere in this prospectus relating to the industry in which we operate have been derived, in part, from various publications and industry-related sources prepared by government officials or independent third parties. In addition, certain information and statistics set forth in this prospectus have been extracted from a market research report commissioned by us and prepared by F&S, an independent market research agency. Our Company believes that the sources of the information are appropriate sources for such information, and the Sponsor and our Directors have taken reasonable care to extract and reproduce the publications and industry-related sources in this prospectus. In addition, our Company has no reason to believe that such information is false or misleading or that any fact that would render such

RISK FACTORS

information false or misleading has been omitted. However, neither our Group, our Directors, the Sponsor, nor any parties involved in the Share Offer have independently verified, or make any representation as to, the accuracy of such information and statistics. It cannot be assured that statistics derived from such sources will be prepared on a comparable basis or that such information and statistics will be stated or prepared at the same standard or level of accuracy as, or consistent with, those in other publications within or outside Hong Kong. Accordingly such information and statistics may not be accurate and should not be unduly relied upon.

Our Group's future results could differ materially from those expressed or implied by the forward-looking statements

Included in this prospectus are various forward-looking statements that are based on various assumptions. Our Group's future results could differ materially from those expressed or implied by such forward-looking statements. For details of these statements and the associated risks, please refer to the section headed "Forward-looking Statements" in this prospectus.

Investors should read this entire prospectus carefully and we strongly caution you not to place any reliance on any information (if any) contained in press articles or other media regarding us and the Share Offer including, in particular, any financial projections, valuations or other forward looking statement

Prior to the publication of this prospectus, there may be press or other media, which contains certain information referring to us and the Share Offer that is not set out in this prospectus. We wish to emphasize to potential investors that neither we nor any of the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, the directors, officers, employees, advisers, agents or representatives of any of them, or any other parties (collectively, the "**Professional Parties**") involved in the Share Offer has authorised the disclosure of such information in any press or media, and neither the press reports, any future press reports nor any repetition, elaboration or derivative work were prepared by, sourced from, or authorised by us or any of the Professional Parties. Neither we nor any Professional Parties accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is not contained in this prospectus or is inconsistent or conflicts with the information contained in this prospectus, we disclaim any responsibility, liability whatsoever in connection therewith or resulting therefrom. Accordingly, prospective investors should not rely on any such information in making your decision as to whether to invest in the Offer Shares. You should rely only on the information contained in this prospectus.

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, contains particulars given in compliance with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the GEM Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

1. the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
2. there are no other matters the omission of which would make any statement herein or in this prospectus misleading; and
3. all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

INFORMATION ON THE SHARE OFFER

The Offer Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, agents, employees, affiliates and/or representatives or any other person or parties involved in the Share Offer.

Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” of this prospectus, and the procedures for applying for the Public Offer Shares are set out in the section headed “How to apply for Public Offer Shares” of this prospectus and in the relevant Application Forms.

UNDERWRITING

This prospectus is published solely in connection with the Share Offer which is sponsored by the Sponsor and managed by the Joint Bookrunners (for themselves and on behalf of the Underwriters). The Public Offer is fully underwritten by the Public Offer Underwriters under the terms and conditions of the Public Offer Underwriting Agreement. The Placing Underwriting Agreement relating to the Placing is expected to be entered on or around the Price Determination Date, subject to agreement on pricing of the Offer Shares between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters). The Share Offer is managed by the Joint Bookrunners. Further information

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

relating to the Public Offer Underwriters and the Share Offer and the underwriting arrangements is set out in the section headed “Underwriting” of this prospectus. If, for any reason, the Offer Price is not agreed, the Share Offer will not proceed and will lapse.

DETERMINATION OF THE OFFER PRICE

The Offer Shares are being offered at the Offer Price which will be determined in Hong Kong dollars by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date. For full information relating to the determination of the Offer Price, please refer to the section headed “Structure and conditions of the Share Offer” in this prospectus.

SELLING RESTRICTIONS

Each person acquiring the Offer Shares will be required to confirm, or be deemed by his acquisition of Offer Shares to confirm, that he is aware of the restrictions on offers and sales of the Offer Shares described in this prospectus.

As at the Latest Practicable Date, no action has been taken in any jurisdiction other than Hong Kong to permit the offering of the Offer Shares or the distribution of this prospectus. Accordingly, this prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws or any applicable rules and regulations of such institutions pursuant to registration with or authorisation by relevant regulatory authorities as an exemption therefrom.

The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by our Company, the Sponsor, the Joint Lead Managers, the Joint Bookrunners, the Underwriters, any of their respective directors, officers, employees, agents, affiliates or representatives of any of them or any other persons or parties involved in the Share Offer.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Department for the listing of, and permission to deal in, on GEM, our Shares in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue and upon the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme.

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

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if permission for our Shares offered under this prospectus to be listed on GEM has been refused before the expiration of three weeks from the date of the closing of the application lists or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Listing Department, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public. Not less than 25% of our Company’s enlarged issued share capital will be in the hands of the public immediately following the completion of the Capitalisation Issue and the Share Offer and upon Listing assuming any options that may be granted under the Share Option Scheme are not exercised.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors for the Offer Shares are recommended to consult their professional advisers if they are in doubt as to the taxation implications of the subscription for, holding of, purchasing of, disposal of or dealing in, our Shares or the exercising their rights thereunder. It is emphasised that none of our Company, our Directors, the Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Underwriters, their respective directors, officers, employees, agents, affiliates or representatives of any of them or any other persons or parties involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, holding of, purchasing of, disposal of or dealing in, our Shares or the exercising their rights thereunder.

REGISTER OF MEMBERS AND STAMP DUTY

All our Shares will be registered on the Hong Kong branch share register of our Company in Hong Kong in order to enable them to be traded on GEM. Only our Shares registered on the branch share register maintained in Hong Kong may be traded on GEM, unless the Stock Exchange otherwise agrees. Dealings in our Shares registered on the branch share register maintained in Hong Kong will be subject to Hong Kong stamp duty. Unless determined otherwise by the Company, dividends payable in HKD in respect of the Shares will be paid by cheque sent at the Shareholder’s risk to the registered address of each

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

Shareholder or in the case of joint holders, to the registered address of that one whose name stands first in the register in respect of the joint holding, or to such person and to such address as the hold or joint holders may in writing direct.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

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

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

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

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

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

COMMENCEMENT OF DEALINGS IN OUR SHARES

Dealings in our Shares on GEM are expected to commence at 9:00 a.m. on Thursday, 13 September 2018, Shares will be traded in board lots of 10,000 Shares each.

Our Company will not issue any temporary document of title.

LANGUAGE

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

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. As a result, any discrepancies in any table or chart set out in this prospectus between totals and sums of individual amounts listed therein are due to rounding. Where information is presented in thousands or millions of units, amounts may have been rounded up or down.

INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER

CURRENCY TRANSLATIONS

Unless otherwise specified, translations of US\$ into HK\$ in this prospectus are based on the exchange rates set out below (for the purpose of illustration only):

US\$1.00 : HK\$7.80

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

DIRECTORS

Name	Residential Address	Nationality

Executive Directors

Mr. Cheung Kwan Tar (張群達)	9/F, 11 Celestial Avenue Celestial Heights 80 Sheung Shing Street Ho Man Tin, Kowloon Hong Kong	Chinese

Mr. Ng Pak Hung (吳柏鴻)	Flat D, 32/F, Li Chit Garden 1 Li Chit Street Wan Chai Hong Kong	Chinese

Independent non-executive Directors

Mr. Chan Yu Sum Sam (陳如森)	Flat B, 7/F, Block 15 City One Shatin New Territories Hong Kong	Chinese

Mr. Chan Kai Kow Macksion (陳啟球)	Flat D, 2/F, Prince's Heights (Stage II) 273/275 Prince Edward Road West Kowloon Hong Kong	Chinese

Mr. Chan Wan Fung (陳雲峯)	Flat E, 11/F, Block 3 Sorrento Tsim Sha Tsui, Kowloon Hong Kong	Chinese

Please refer to the section headed “Directors and Senior Management” in this prospectus for further information.

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

PARTIES INVOLVED

Sole Sponsor

Kingsway Capital Limited

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

7/F, Tower 1

Lippo Centre

89 Queensway

Hong Kong

Joint Bookrunners, Joint Lead Managers and Underwriters

Kingsway Financial Services Group Limited

(A licensed corporation carrying on Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO)

7/F, Tower 1

Lippo Centre

89 Queensway

Hong Kong

China Investment Securities International Brokerage Limited

(A licensed corporation carrying on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO)

Unit Nos. 7701A & 05B-08, Level 77

International Commerce Centre

1 Austin Road West

Kowloon

Hong Kong

Head & Shoulders Securities Limited

(A licensed corporation carrying on Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities under the SFO)

Room 2511, 25/F, Cosco Tower

183 Queen's Road Central

Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Legal advisers to our Company	<i>As to Hong Kong law</i> Guantao & Chow Solicitors and Notaries <i>Solicitors, Hong Kong</i> Suites 1604-06 16/F, ICBC Tower 3 Garden Road Central, Hong Kong <i>As to Hong Kong law</i> Mr. Chan Chung Barrister-at-law 10/F, Grand Building 15-18 Connaught Road Central Central, Hong Kong <i>As to Cayman Islands law</i> Appleby 2206-19 Jardine House 1 Connaught Place Central, Hong Kong
Legal advisers to the Sole Sponsor, the Joint Lead Managers, the Joint Bookrunners and the Underwriters	<i>As to Hong Kong law:</i> David Fong & Co. <i>Solicitors, Hong Kong</i> Unit A 12/F China Overseas Building 139 Hennessy Road Wanchai, Hong Kong
Reporting Accountants and auditors	Grant Thornton Hong Kong Limited <i>Certified Public Accountants</i> Level 12 28 Hennessy Road Wanchai Hong Kong
Compliance adviser	Grande Capital Limited Room 1204B, 12/F Tower 2 Lippo Centre 89 Queensway Admiralty Hong Kong
Industry consultant	Frost & Sullivan Limited Suite 1706, One Exchange Square 8 Connaught Place Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

Property consultant

Greater China Appraisal Limited

Room 2703, Shui On Centre
6-8 Harbour Road
Wanchai
Hong Kong

Internal control consultant

CT Partners Consultants Limited

Unit 1601A, 16th Floor
Tower 6, China Hong Kong City
33 Canton Road
Tsim Sha Tsui, Kowloon
Hong Kong

Receiving bank

**Industrial and Commercial Bank of China (Asia)
Limited**

33/F, ICBC Tower
3 Garden Road
Central
Hong Kong

CORPORATE INFORMATION

Registered office	Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarters and principal place of business in Hong Kong	5/F, Winning Commercial Building 46-48 Hillwood Road Tsim Sha Tsui, Kowloon Hong Kong
Website of the Company	www.boltekholdings.com <i>(information on the website does not form part of this prospectus)</i>
Company secretary	Mr. Yu Chun Kit (余俊傑) (HKICPA) Room 2916, 29/F, Shui Lam House Tin Shui Estate, Tin Shui Wai Yuen Long, New Territories Hong Kong
Authorised representatives	Mr. Cheung Kwan Tar (張群達) 9/F, 11 Celestial Avenue Celestial Heights 80 Sheung Shing Street Ho Man Tin, Kowloon Hong Kong Mr. Yu Chun Kit (余俊傑) Room 2916, 29/F, Shui Lam House Tin Shui Estate, Tin Shui Wai Yuen Long, New Territories Hong Kong
Compliance officer	Mr. Cheung Kwan Tar (張群達) 9/F, 11 Celestial Avenue Celestial Heights 80 Sheung Shing Street Ho Man Tai, Kowloon Hong Kong
Audit committee	Mr. Chan Wan Fung (陳雲峯) (Chairman) Mr. Chan Yu Sum Sam (陳如森) Mr. Chan Kai Kow Macksion (陳啟球)
Remuneration committee	Mr. Chan Yu Sum Sam (陳如森) (Chairman) Mr. Cheung Kwan Tar (張群達) Mr. Chan Kai Kow Macksion (陳啟球)

CORPORATE INFORMATION

Nomination committee	Mr. Cheung Kwan Tar (張群達) (<i>Chairman</i>) Mr. Chan Yu Sum Sam (陳如森) Mr. Chan Kai Kow Mackston (陳啟球)
Principal bank	Bank of China (Hong Kong) Limited Bank of China Tower 1 Garden Road Hong Kong
Cayman Islands share registrar and transfer office	Estera Trust (Cayman) Limited Clifton House 75 Fort Street P.O. Box 1350 Grand Cayman KY1-1108 Cayman Islands
Hong Kong Branch Share Registrar and transfer office	Boardroom Share Registrars (HK) Limited 2103B, 21/F, 148 Electric Road North Point Hong Kong

INDUSTRY OVERVIEW

The information contained in this section and elsewhere in this prospectus have been derived from various official government and other publications generally believed to be reliable and the market research report prepared by Frost & Sullivan which we commissioned. We believe that the sources of such information and statistics are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. None of our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or their respective directors, advisers (which, for the purpose of this paragraph, excludes Frost & Sullivan) and affiliates has independently verified such information and statistics and none of them gives any representation as to the accuracy of such information and statistics. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, the facts and statistics in this section and elsewhere in this prospectus may be inaccurate or may not be comparable to facts and statistics produced with respect to other economies. Further, we cannot assure you 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. As a result, you should not unduly rely upon such facts and statistics contained in this prospectus.

SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on Hong Kong engineering consultancy market. The report prepared by Frost & Sullivan for us is referred to in this prospectus as the Frost & Sullivan Report. We agreed to pay Frost & Sullivan a fee of HK\$430,000 which we believe reflects market rates for reports of this type.

Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. Frost & Sullivan's services include technology research, independent market research, economic research, corporate best practices advising, training, client research, competitive intelligence and corporate strategy.

We have included certain information from the Frost & Sullivan Report in this prospectus because we believe this information facilitates an understanding of Hong Kong engineering consultancy market for the prospective investors. The Frost & Sullivan Report includes information on Hong Kong engineering consultancy market as well as other economic data, which have been quoted in the prospectus. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in respect of Hong Kong engineering consultancy market. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. Except as otherwise noted, all of the data and forecasts contained in this section are derived from the Frost & Sullivan Report, various official government publications and other publications.

INDUSTRY OVERVIEW

In compiling and preparing the research, Frost & Sullivan assumed that the social, economic and political environments in the relevant markets are likely to remain stable in the forecast period, which ensures the stable and healthy development of Hong Kong engineering consultancy market.

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 Frost & Sullivan Report which may qualify, contradict or have an impact on the information therein.

OVERVIEW OF HONG KONG MACRO ECONOMY

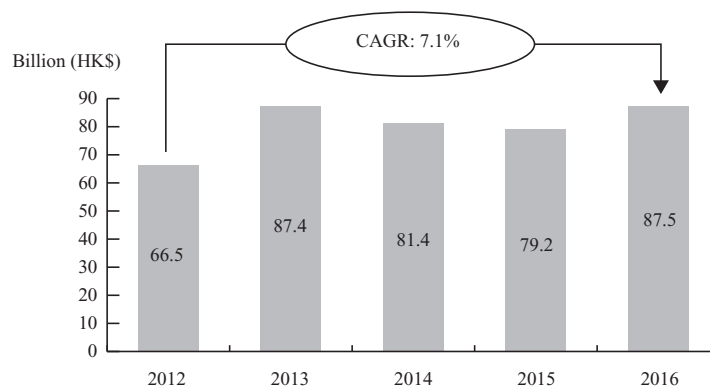
Nominal GDP

Over the past few years, Hong Kong has experienced a steady growth in its economy. Nominal GDP increased from HK\$2,037.1 billion to HK\$2,605.2 billion during 2012 and 2017, with a CAGR of 5.0%. The stable growth of the Hong Kong economy supports the further expansion of overall business environment, which also provides substantial opportunities for the construction industry. The nominal GDP is forecasted to reach HK\$3,263.2 billion in 2022, at a CAGR of 4.8% from 2018 to 2022.

Capital Works Reserve Fund

Driven by the strong demand for infrastructure in Hong Kong and the development of Ten Major Infrastructure Plan, including Sha Tin to Central Link, Hong Kong-Zhuhai-Macao Bridge and Kai Tak Development, the capital works reserve fund increased from HK\$66.5 billion in 2012 to HK\$87.5 billion in 2016, with a CAGR of 7.1%. The commencement of the infrastructure projects underpins the economic development of Hong Kong in the recent years. This not only stimulates the growth in the construction industry in Hong Kong but also gives rise to infrastructure engineering consultancy services.

Capital Works Reserve Fund (Hong Kong), 2012-2016



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

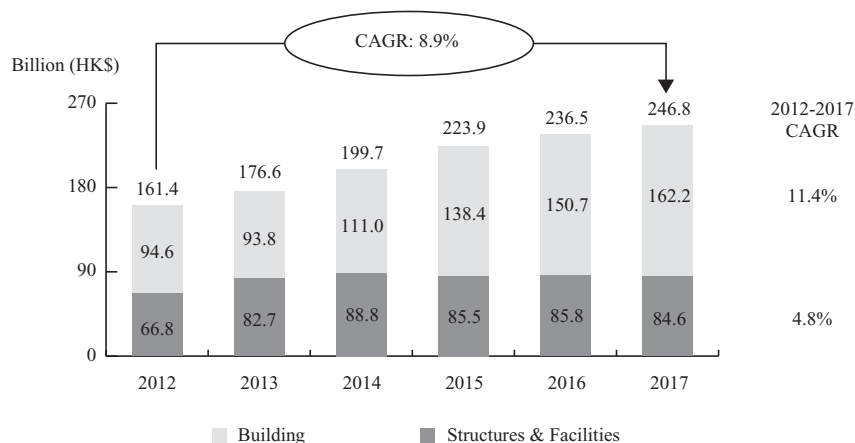
INDUSTRY OVERVIEW

OVERVIEW OF HONG KONG CONSTRUCTION MARKET

Gross Value of Construction Works

The construction industry in Hong Kong achieved HK\$161.4 billion total gross value of construction works performed in 2012. With a CAGR of 8.9% from 2012 to 2017, the gross value has risen to HK\$246.8 billion in 2017. Such increase is attributable to intensive construction of both commercial and residential building, and civil infrastructure such as additional Mass Transit Railway routes and High Speed Railway that connects mainland China and Hong Kong, as well as the extension of the railways system in Hong Kong.

Gross Value of Construction Works Performed by Main Contractors by Broad Trade Group (Hong Kong), 2012-2017



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

OVERVIEW OF HONG KONG INFRASTRUCTURE ENGINEERING CONSULTANCY MARKET

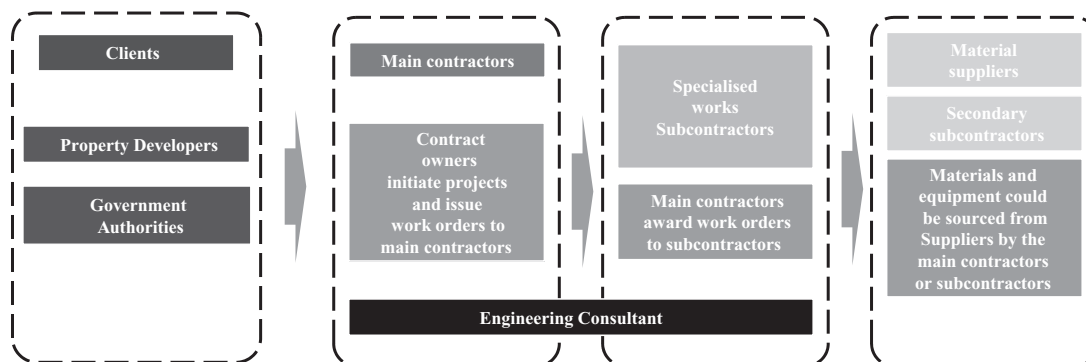
Definition of Infrastructure Engineering Consultancy Services

Infrastructure engineering consultancy services generally encompass (i) civil engineering which include road and structural engineering, geotechnical engineering, drainage engineering and marine engineering; and (ii) traffic engineering.

Infrastructure engineering consultancy services generally refer to (i) conducting investigation and feasibility studies; (ii) conducting engineering designs and planning; (iii) construction supervision for civil engineering projects; (iv) assisting clients in consulting and obtaining consents or approvals from relevant authorities for their projects; and (v) inspecting and certifying the construction works undertaken by clients. Depending on clients' needs and requirements for their infrastructure works, provision of one or more aspects of the above engineering consultancy services might be required.

INDUSTRY OVERVIEW

Value Chain Analysis



Source: Frost & Sullivan

For infrastructure development projects, contract owners, usually property developers and Government authorities, generally invite tender from service providers. Engineering consultants generally work with main contractors to bid tenders and perform execution. The engineering consultants could also be employed by the contract owners. The industry tender success rate of engineering consultancy projects for infrastructure development is approximately 10% to 30%. It is not uncommon that the main contractors would engage the same consultants who have worked with them at the tender submission stage after they were awarded with the projects, given that such consultants are more familiar with the specifications and requirements of the projects, thus saving the time and cost in coordination and project execution.

Engineering consultants are mainly engaged in (i) conducting investigation and feasibility studies; (ii) conducting engineering designs and planning; (iii) construction supervision for civil engineering projects; (iv) assisting clients in consulting and obtaining consents or approvals from relevant authorities for their projects; and (v) inspecting and certifying the construction works undertaken by clients. Depending on clients' needs and requirements for their infrastructure works, the consultants may be required to provide one or more aspects of the above engineering consultancy services at various stages of projects.

Contracts are entered into between contract owners, usually Government or property developers, and main contractors, pursuant to the contracts, the main contractors are often required to provide design-build services which include preparation of engineering designs, budgeting and resources coordination, building and construction works, and project management and execution. Subject to the terms and conditions of the contract, main contractors or Government authorities may discuss with their engineering consultant on proposed additions or modifications in the scope of services throughout the implementation of the projects. In general, the engineering consultant would accept clients' requests for variation in the scope of services on the basis that a supplemental quotation for additional fee is agreed upon. Such additional fee is generally calculated based on pre-agreed hourly rates charged by the personnel involved as set out in the service contract. It is a common practice in the engineering consultancy market for main contractors or Government authorities to place variation orders with their engineering consultant throughout various stages of the developments.

INDUSTRY OVERVIEW

As the main contractors generally do not maintain sufficient in-house professional engineers, they often require external engineering consultants such as our Group to provide engineering design and other related services.

Selected Future Infrastructure Engineering Consultancy Project List for EACSB in Hong Kong as at 30 June 2018

Description	Type of Agreement	Classification	Preliminary Date of Inviting Expression of Interest/Proposals	Estimated Service Period
Improvements to the Internal Slip Roads at Wo Hop Shek Cemetery that are required to support Phases 2 and 3 Columbarium Development	Investigation, Design & Construction	Infrastructure	2018 Q2 (Note)	106 months
Relocation of Kowloon Bay Public Works Central Laboratory to Caverns	Feasibility Study	Infrastructure	2018 Q3	24 months
Study of Landslides Occurring on Hong Kong Island and Outlying Islands between 2019 and 2021	Feasibility Study	Infrastructure	2018 Q3	48 months
Study of Landslides Occurring in Kowloon and the New Territories between 2019 and 2021	Feasibility Study	Infrastructure	2018 Q3	48 months
Development of remaining housing sites in Yuen Long Areas 13 and 14	Feasibility Study	Infrastructure	2018 Q3	18 months
River revitalisation and flood attenuation facilities for Hung Shui Kiu New Development Area	Feasibility Study	Infrastructure	2018 Q3	24 months
Site Formation and Infrastructure Works for Public Housing Developments at Cheung Muk Tau	Investigation, Design and Construction	Infrastructure	2018 Q4	110 months
Construction and Rehabilitation of Trunk Sewage Rising Mains in Cheung Sha Wan	Investigation, Design & Construction	Infrastructure	2018 Q3	120 months
Drainage Improvement Works in Wong Tai Sin and Kowloon City	Investigation	Infrastructure	2018 Q3	24 months
River Revitalisation and Conservation of Existing Watercourses in Yuen Long South	Feasibility Study	Infrastructure	2018 Q4	30 months
Lift and Pedestrian Walkway System at Luen On Street, Kwun Tong	Design & Construct	Infrastructure	2018 Q2 (Note)	72 months
Traffic Review Study for Wan Chai	Feasibility Study	Infrastructure	2018 Q2 (Note)	15 months

Source: Development Bureau of Hong Kong

Note: These projects are still under tendering process as at the Latest Practicable Date.

The infrastructure engineering consultancy project list is disclosed based on the relevance to the business scope of our Group. These projects are initiated by the Development Bureau of Hong Kong and could be classified by their types of works involved, namely feasibility study, investigation and design and construction for infrastructure development, which are covered in the major scope of services of our Group. The main criteria for consultant's prequalification and bid evaluation include financial soundness, technical ability, management capability, health and safety, and reputation.

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Market Size of Infrastructure Engineering Consultancy Market in Hong Kong

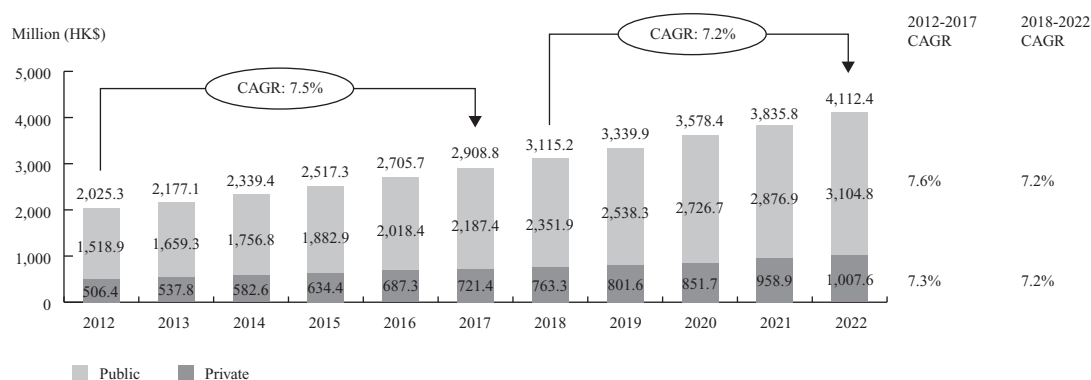
The estimated revenue of infrastructure engineering consultancy market in Hong Kong increased from HK\$2,025.3 million in 2012 to HK\$2,908.8 million in 2017, representing a CAGR of 7.5%, primarily due to the infrastructure developments associated with accelerated urban renewal and rising housing supply, and increasingly stringent engineering requirements, which drives the needs for infrastructure engineering consultancy.

The sustained investment in infrastructure would continue to boost the demand for civil engineering and traffic engineering services. The revenue of infrastructure engineering consultancy in Hong Kong is forecasted to reach HK\$4,112.4 million in 2022, at a CAGR of 7.2% from 2018 to 2022.

The estimated revenue of infrastructure engineering consultancy market in public sector recorded an increase from HK\$1,518.9 million in 2012 to HK\$2,187.4 million in 2017, at a CAGR of 7.6%. During the same period, the revenue in private sector increased from HK\$506.4 million in 2012 to HK\$721.4 million in 2017, representing a CAGR of 7.3%.

Riding on the continued development of infrastructure in Hong Kong, the estimated revenue of infrastructure engineering consultancy market in public sector is forecasted to experience a growth from HK\$2,351.9 million in 2018 to HK\$3,104.8 million in 2022, at a CAGR of 7.2%.

**Revenue of Infrastructure Engineering Consultancy (Hong Kong)
by Public and Private Sector, 2012-2022E**



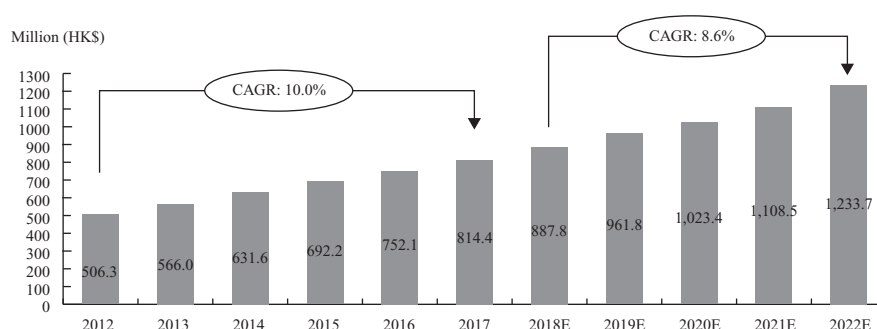
Source: Census and Statistics Department; Development Bureau; Frost & Sullivan

Projects within the EACSB jurisdictions are the subset of the public sector. The revenue of infrastructure engineering consultancy by projects within EACSB in Hong Kong has enjoyed continuous growth from Government's active role in promoting infrastructure development, such as sustained investment and use of lead consultant in design and construction. From 2012 to 2017, the revenue of infrastructure engineering consultancy by Government projects in Hong Kong increased from HK\$506.3 million to HK\$814.4 million with a CAGR of 10.0%.

INDUSTRY OVERVIEW

It is increasingly common for large scale building development projects to involve ancillary infrastructure developments such as (i) roads and bridges to consummate its transportation network; and (ii) slope improvement to ensure slope safety surrounding the site of the residential area. Therefore, as the Government will continue to expedite the refurbishment and construction of infrastructure to facilitate the transportation and access by the public to the associated building development, it is estimated that the revenue of infrastructure engineering consultancy by projects within EACSB in Hong Kong is estimated to grow from HK\$887.8 million in 2018 to HK\$1,233.7 million in 2022 with a CAGR of 8.6%.

Revenue of Infrastructure Engineering Consultancy by Projects within EACSB (Hong Kong), 2012-2022E



Source: Census and Statistics Department; Development Bureau; Frost & Sullivan

Market Drivers

Promotion of local barrier-free environment – According to the Census and Statistics Department, the percentage distribution of population who aged 65 increased from 13.9% in 2011 to 16.6% in 2016, whereas the overall prevalence rate of persons with disabilities accounted for another 8.1% of Hong Kong population in 2013, as against 5.2% in 2007. With the increasing population of the elderlies and disabled persons, barrier-free facilities, such as installation of elevators to footbridges and train stations, in the society has become a necessity to maintain their daily activities. With current enhancement plans of current city's facilities and infrastructures supported by the government, the number of accessible engineering works is forecasted to increase in the future. The demand for infrastructure engineering consultancy would rise accordingly.

Sustained development in public transport system – The three-pronged transport policy, which comprises improving transport infrastructure, expanding and improving public transport system and managing road uses, has been embraced in Hong Kong. As the transport system has profound impact on people's livelihood and socio-economic development, forward-looking and timely plans are required for infrastructure development and maintenance, in which the accuracy, reliability, speed and compatibility of the systems are highly emphasized. Noise barriers and acoustic fencings are installed in order to mitigate the potential nuisances brought to neighborhood. To minimize all potential disturbances, inspections and certifications of the construction works are often carried out. Traffic impact assessment studies are performed to assist contractors in executing their construction works

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in an effective manner. Besides, under the Greening Master Plan (GMPs) brought by the Civil Engineering and Development Department (CEDD), greening technologies are applied within the city's infrastructure to improve the cityscape and promote sustainable living environment in Hong Kong. Design, maintenance, upgrading, assessment and review of public transport facilities, including pavement, bridge, footbridge, and noise barriers, are required. It is believed that the increasing living quality and standards would continue to drive needs for traffic impact assessment and design services for road and structural and traffic engineering. Hence, it will act as a driver to the growth of infrastructure engineering consultancy in Hong Kong.

Rising complexity and requirements for infrastructure development – Quality infrastructure and regional transportation is the rising trend in city development and the integration with local, regional and national rail and road routes is the key. These projects lead to the rising complexity and requirement for infrastructure development. The domain knowledge required are expected to be increasingly diversified, including road and structural engineering, geotechnical engineering, drainage engineering and marine engineering. In infrastructure development projects, construction contractors are often required to provide design-and-build services which include preparation of engineering designs, budgeting and resources coordination, building and construction works, and project management and execution. As construction contractors generally do not maintain sufficient in-house professional engineers to carry out engineering designs for infrastructure developments, they therefore often engage external consultant. The rising needs for engineering consultancy are heightened, which would translate into business opportunities for the industry.

Market Trends

Environmentally-friendly design and application in infrastructure – In order to create a better outdoor living environment, eco-friendly construction materials, such as cement paints with low volatile organic compounds (VOCs) emissions, are widely adopted nowadays. On the other hand, more innovative construction techniques and measurements have been developed to mitigate environmental pollution problems generated during construction stages among the industry. These practices have substantially improved the environment by replacing low efficiency and unsustainable materials in the industry and fostered the growth of green construction development.

Growing importance of the role of lead consultant – The lead consultant is primarily responsible for the overall planning, design, supervision and communication of the entire project, which covers the engineering and architectural aspects of the construction works as well as the associated traffic and transportation planning. It is increasingly common for project owners to engage a single consultant as the lead consultant of a project as it could: (i) streamline the selection and appointment process for engaging a single consultant, as compared to that for engaging multiple consultants for different fields of works throughout various stages of the projects; and (ii) minimise the time lag in the communication among different working parties because the lead consultant would take charge of the co-ordination and supervision of their work schedules. Going forward, it is expected that project owners would be more inclined to engage a lead consultant in sizeable civil engineering and building construction projects.

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Market Threats

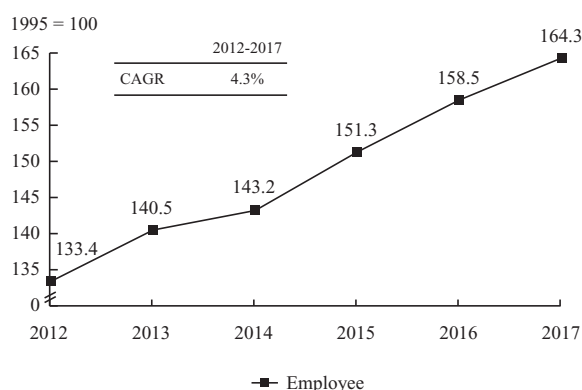
Over-reliance of infrastructure development market – The infrastructure engineering market is relatively small and heavily reliant on the housing policies and infrastructure development in Hong Kong. Constraint on approval of funding, as a result of potential filibustering, is one of the challenges to the infrastructure development market. The budget for government-funded projects is subject to the approval of the Finance Committee of Legislative Council. Any delay in this approval process may cause delay in the procurement of raw material, equipment and machinery which may in turn delay the progress and completion timetable of the infrastructure development and demand for infrastructure engineering consultancy.

Rising labour cost – With the robust growth of construction activities in Hong Kong, the demand for labour force in construction industry has been increasing. However, the industry has been facing serious problems of insufficient skilled labour and experienced professionals due to aging population and the restriction of migrant labour in Hong Kong. Thus, labour shortage is one of the most common challenges faced by most infrastructure engineering consultants in Hong Kong. Many of the infrastructure engineering consultants have been increasing the wages of employees to alleviate the issue of insufficient workers at construction sites which exerts extra pressure on the project cost. The nominal salary indices of employees in infrastructure engineering consultancy increased from 133.4 in 2012 to 164.3 in 2017, representing a CAGR of 4.3%.

COST STRUCTURE ANALYSIS

The nominal salary indices of employees in infrastructure engineering consultancy increased from 133.4 in 2012 to 164.3 in 2017, representing a CAGR of 4.3%, primarily due to the accelerated infrastructure development, which drives the needs of engineering consultancy.

Nominal Salary Indices of Employees in Infrastructure Engineering Consultancy (Hong Kong), 2012-2017



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

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COMPETITIVE LANDSCAPE OF HONG KONG INFRASTRUCTURE ENGINEERING CONSULTANCY MARKET

Competition Overview

The infrastructure engineering consultancy firms in Hong Kong could be classified as two types, namely international firms and local firms with different business focuses. With the proven track record and sound reputation, some international engineering consultants have applied their expertise to infrastructure and building projects in Hong Kong while the local consultants leverage the established relationship with customers. Strong local partnership allows the access to local networks and information that provides the local companies with a competitive edge. The international engineering consultants usually target the large scale infrastructure and building projects while the local engineering consultants serve the small-to-medium sized projects. Our Group is one of the few local engineering consultants who have comprehensive service offerings, engaging in both civil engineering and traffic engineering consultancy, and involving in various stage of construction works.

The infrastructure engineering consultancy market in Hong Kong is highly competitive. As estimated, there are over 150 companies in the infrastructure engineering consultancy market in Hong Kong. The industry is highly correlated to the consultancy services in infrastructure works, which consists of services in geotechnical engineering services, structural engineering services, traffic engineering services, marine and port works engineering services, etc. As the living standards have increased over the past few years in Hong Kong, residents now demand better infrastructure facilities and quality in residential areas. The government has also introduced favorable policies in infrastructure projects in order to meet the demand from the promotion of new development areas and the extension of new towns in Hong Kong.

Ranking and Market Share

The infrastructure engineering consultancy market in Hong Kong is concentrated with the top five players contributing to 36.9% of the entire market in terms of revenue. According to F&S, our Group recorded the revenue of HK\$86.2 million for the provision of infrastructure engineering consultancy, accounting for 3.0% of the market share in Hong Kong.

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Ranking and Market Share of Leading Infrastructure Engineering Consultants by Revenue (Hong Kong), 2017

Rank	Company	Estimated Revenue in 2017 (HK\$ Million)	Approximate Market Share (%)
1	Company A	244.5	8.4%
2	Company B	225	7.7%
3	Company C	210	7.2%
4	Company D	202.5	7.0%
5	Company E	192	6.6%
	Top five subtotal	1,074	36.9%
	Our Group	86.2	3.0%
	Others	1,748.6	60.1%
	Total revenue of infrastructure engineering consultancy in Hong Kong	2,908.8	100.0%

Remark:

- (i) Company A is a private company with more than 100 offices worldwide. It is a global engineering, procurement, construction (EPC) and consulting company specializing in infrastructure development in power, oil and gas, water, telecommunications, government, mining, data centers, smart cities and banking and finance markets.
- (ii) Company B is listed on the New York Stock Exchange with approximately 87,000 employees. It is an American multinational engineering firm that provides design, consulting, construction, and management services to a wide range of clients.
- (iii) Company C is a subsidiary of a listed company on the London Stock Exchange. It is a British multinational engineering, design, planning, architectural design, project management and consulting services company headquartered in London.
- (iv) Company D is a private and multinational professional services firm headquartered in London with over 10,000 employees which provides engineering, design, planning, project management and consulting services for all aspects of the building environment.
- (v) Company E is a private multi-disciplinary engineering consultancy firm, headquartered in Singapore. It provides clients from all over the world with consultancy services on diverse projects including buildings, roads and highways, aviation, metros and railways, ports and power.

Source: Frost & Sullivan

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Factors of Competition

Reputation and industry experience – In order to stand out in the infrastructure engineering consultancy market in Hong Kong, market players are encouraged to earn a positive recognition and industry experience with a favourable track record. A strong company portfolio with renowned reputation capture more business opportunities as potential business partners are less concerned with contractual risks, and ultimately increases the chances of being awarded a contract of an infrastructure engineering consultancy project. Project clients, such as Government departments, are more likely to place more confidence in their business partners with the consideration of their past performances. Therefore, industry experience has contributed to one of the major success factors in Hong Kong infrastructure engineering consultancy market.

Demonstration of engineering expertise – Hong Kong's unique topography with steep mountain areas in both rural and urban areas has imposed as a challenge to civil engineering works. To cope with local environmental complexity and restrictions while meeting clients' requirements, infrastructure engineering consultants are expected to demonstrate sufficient and flexible knowledge from design phase to building phase of an infrastructure project. Market players in this industry shall also formulate latest development strategy to keep pace with the market trends in order to allow the company to have a better market position and increase the chance in awarding infrastructure engineering consultancy projects in Hong Kong. In addition, market players with a considerable size will give confidence to the clients.

Competitive pricing strategy – Apart from considering reputation, past project experiences and professional qualifications of project team, a successful market player should envisage a competitive pricing strategy of the infrastructure engineering consultancy projects in order to have a better chance of acquiring new infrastructure projects from clients. Market players should set their prices flexible to meet the varying market changes and competitive forces, such as scale of infrastructure works and project scope. However, service quality should be maintained steadily in order to earn reputation among the industry.

Entry Barriers

Proven track record and project reference – Infrastructure engineering consultancies with rich project experiences are more likely to provide promising services to construction and infrastructure projects in Hong Kong. A proven track record and a strong company profile may help market players to earn reputation and confidence from the public and thus, increasing the opportunities to obtain a construction and infrastructure consultancy project from property developers and the government. Experienced infrastructure engineering consultancy firms have been predominating the market over the years and new market entrants may find it difficult to gain large-scale consultancy projects in a short period of time with limited company portfolio. As a result, it has posed as one of the entry barriers for new entrants to enter the infrastructure engineering consultancy market in Hong Kong.

Demonstration of industry knowledge and expertise – As market players in the infrastructure engineering consultancy market are expected to provide professional advices and ideas to construction plans, infrastructure projects and other related engineering works,

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they are required to demonstrate specific industry expertise and analysis to different potential project scenarios. From the initial design stage to the final building stage of a consultancy project, several scope of works will be involved, such as geotechnical and traffic engineering works. Therefore, infrastructure engineering consultants should understand the details and aspects of each construction and infrastructure works in order to ensure the project is in a proper process. However, it has been seen to be one of the obstacles for new market entrants as they do not have sufficient resources and project management capability to demonstrate knowledgeable experience for large-scale projects.

Recruitment and retention of talent – Infrastructure engineering projects often require specific areas of consultancy knowledge and expertise. Competition for recruitment and retention of talents among infrastructure engineering consulting companies in Hong Kong is companies to ensure career opportunities are provided for new generation talents by assigning them the appropriate projects and work assignments. Subsequently, recruitment and retention of talented persons with the related skillset in infrastructure engineering consultancy industry has perceived as an entry barrier for new market entrants without sufficient resources comparable to existing companies in Hong Kong.

OVERVIEW OF HONG KONG ENGINEERING CONSULTANCY SERVICES IN BUILDING DEVELOPMENT

Engineering Consultancy Services in Building Development

Building development typically refers to development in relation to residential, commercial and industrial buildings. Similar to infrastructure development, building development projects also require the expertise in engineering designs and planning as well as construction supervision during their implementations. Therefore, engineering design capability, know-how and skills are commonly applicable in the fields of both infrastructure development and building development. In comparison, building development works may involve more of the following aspects of engineering and related services, including (i) preparation of structural design for buildings; (ii) design of electrical and mechanical systems for buildings; (iii) architectural designs of buildings; (iv) environmental impact assessment.

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Selected Future Building Engineering Consultancy Project List for AACSB in Hong Kong as at 30 June 2018

Description	Type of Agreement	Classification	Preliminary Date of Inviting Expression of Interest/ Proposals	Estimated Service Period
Extension of Hong Chi Morninghill School, Tuen Mun, New Territories (BIM)	Structural Engineering	Building	2018 Q2 (Note)	60 months
Term Consultancy for Detailed Structural Survey of Government Buildings of Age over 30 Package 2019 (HKI) – Hong Kong Island	Structural Engineering	Building	2018 Q4	24 months
Term Consultancy for Detailed Structural Survey of Government Buildings of Age over 30 Package 2019 (HKI) – Hong Kong Island	Structural Engineering	Building	2018 Q4	24 months
Fire Station-cum-ambulance Depot with Departmental Quarters in Area 72, Tseung Kwan O (BIM)	Structural Engineering	Building	2018 Q1 (Note)	74 months

Source: Development Bureau of Hong Kong

Note: These projects are still under tendering process as at the Latest Practicable Date.

The building engineering consultancy project list is disclosed based on the relevance to our Group's proposed application for registration on the list of consultants maintained by the AACSB under band 2 of the structural engineering category. These projects are initiated by the Architectural Services Department, and their works involved mainly fall under the category of structural engineering for Government buildings. The main criteria for consultant's prequalification and bid evaluation include financial soundness, technical ability, management capability, health and safety, and reputation.

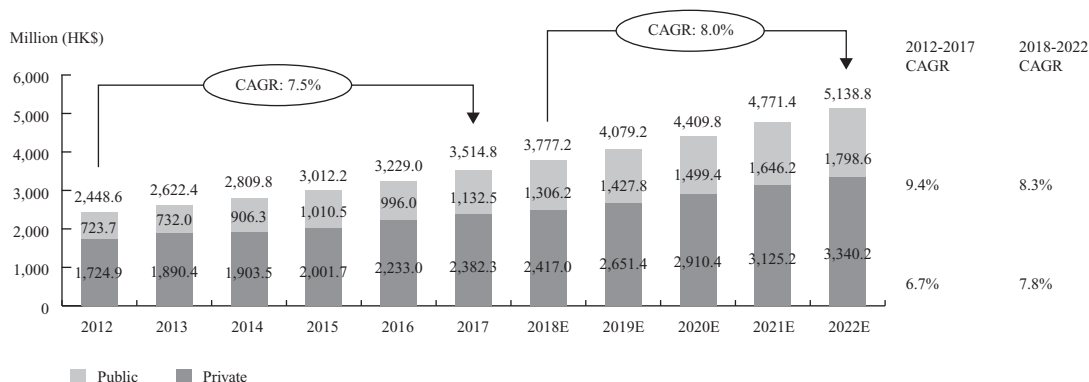
Market Size

Driven by the introduction of the mix of office, commercial and non-polluting industrial uses buildings and accelerated urban renewal, the estimated revenue of engineering consultancy services in building development in Hong Kong experienced the growth from HK\$2,448.6 million in 2012 to HK\$ 3,514.8 million in 2017, representing a CAGR of 7.5%. With the rising land supply and urban redevelopment, the revenue of engineering consultancy services in building development in Hong Kong is forecasted to reach HK\$5,138.8 million in 2022, at a CAGR of 8.0% from 2018 to 2022.

The revenue of engineering consultancy services in building development in public sector increased from HK\$723.7 million in 2012 to HK\$1,132.5 million in 2017, at a CAGR of 9.4% while the private sector experienced the growth of CAGR 6.7% during the same period. Going forward, the revenue of engineering consultancy services in building development in private sector is estimated to reach HK\$3,340.2 million in 2022, at a CAGR of 7.8% from 2018 to 2022.

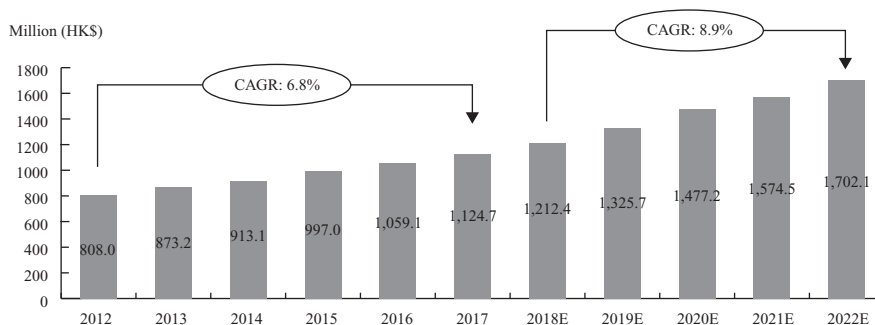
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Revenue of Engineering Consultancy Services in Building Development by Public and Private Sectors (Hong Kong), 2012-2022E



Source: Census and Statistics Department; Development Bureau; Frost & Sullivan

Revenue of Engineering Consultancy Services in Building Development by Projects within AACSB (Hong Kong), 2012-2022E



Source: Census and Statistics Department; Development Bureau; Frost & Sullivan

Projects within the AACSB jurisdictions are the subset of the public sector. The revenue of engineering consultancy services in building development by projects within AACSB has been expanding stably over the past few years, with its market size increasing from HK\$808.0 million in 2012 to HK\$1,124.7 million in 2017 at a CAGR of 6.8%. The engineering consultancy service in building development is highly correlated to housing supply. The development of public housing continuously drives the renovation and construction of buildings, which leads to a rising demand for engineering consultancy services in building development by Government projects.

The engineering consultancy services in building development by projects within AACSB is expected to experience a sustainable growth in the long run as driven by public housing developments. The revenue of engineering consultancy services in building development by projects within AACSB will reach HK\$1,702.1 million in 2022 at a CAGR of 8.9% from 2018 to 2022.

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Market Drivers

Rising numbers of aged private residential buildings units – According to the final report of Hong Kong 2030: Planning Vision and Strategy published jointly by the Planning Department and Development Bureau of Hong Kong, there will be approximately 326,000 private residential units aged 70 years or above, which will be nearly 300 times of those in 2015. In order to maintain aged buildings in a good and safe condition, renovation and maintenance works should be carried out constantly. Building engineering consultancy services are provided to clients with the aim of complying with fire safety regulations for aged building structures and preventing further decay of buildings. Additionally, to improve the overall living environment and attain better building energy efficiency, regular renovation and maintenance works should be carried out after acquiring engineer consultants advices. As a result, there is room for building engineering consultancy services market to grow in the future.

Increased complexity of modern buildings – To maximize clients' comfort and well-being, modern buildings nowadays are often integrated with sustainable design and intelligent technologies. High-tech systems, such as automation technology, embedded sensors and enhanced energy management systems, have increased the overall complexity of building structures. The knowledge of building engineering consultancies may apply in cost control and management of works when upgrading existing building to intelligent buildings. Therefore, the realization of intelligent buildings and rising complexity of modern buildings may foster the growth of building engineering consultancy market in Hong Kong.

Market Trends

Growing adoption of building information technology – The prevalence of technological advancements has considerably transformed the construction industry. The building information technology is now playing a facilitating role in technical calculations and drawings, increasing project accuracy and precision. The invention of computer-aided design (CAD) software has brought important advancement in file management and analysis of technical specifications of a building engineering project. It streamlines the process of design, from concept development, preliminary plan layout to formal drawing. As a result, time and effort could be saved in rendering and sketching of the design. The evolvement of building information modeling (BIM) from CAD has further lowered the risks of errors and provided a clear concept of design plans as it provides 3D sketches to assist workers in understanding the building projects. With the benefits brought by technology presently, it is predicted that the uses of technology will receive a wide application in building engineering consultancy.

Integrated building management systems – Integration of building infrastructure and facilities is the rising trend in design and building approach to enable significant savings on installation, operating, enhancements and maintenance costs across different buildings, namely residential flats, hotels, shopping malls and offices. Advanced technologies are combined with a comprehensive service portfolio, which ensures high system availability and reliability, and facilitates seamless system upgrades and expansions, which requires cross – disciplinary expertise and experience. This creates new demand for the building

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engineering consultants with a focus on project management, design for structural engineering and other technical review. The rising trend integrated building systems presents growth opportunities for the building engineering consultancy in Hong Kong.

Market Threats

Increased market competition – Following the economic growth and sustained development of the construction industry, the demand for building development and the needs for consultancy are effectively unleashed. This has prompted international building development consultancies to expand their business into Hong Kong market to tap the market's growth potential by leveraging their established track records and industry expertise. The presence of international market participants further intensify market competition in price, service, quality, reputation and client relationship on a local and international scale. The increased competition would exert pressure on the profit margin of the building development consultancy in Hong Kong.

COMPETITIVE LANDSCAPE OF THE MARKET OF HONG KONG ENGINEERING CONSULTANCY SERVICES IN BUILDING DEVELOPMENT

Competition Overview

The engineering consultancy service in building development in Hong Kong is relatively fragmented. According to Frost & Sullivan, as of April 2018, there were about 46 consultants of Architectural and Associated Consultants Selection Board (AACSB) at the Architectural Services Department for architectural works, 23 consultants for building services, 14 consultants for quantity surveying, 24 consultants for structural engineering, 27 consultants for building surveying, and 7 consultants for landscape architectural works. It is part of our business strategies to apply for registration on the list of consultants maintained by the AACSB under the structural engineering category. For further details, please refer to the paragraph head “Business – Business strategies – 3. Application for registration with the AACSB list of consultants” in this prospectus.

The competitive landscape of the engineering consultancy services in building development in Hong Kong is similar to the infrastructure engineering consultancy market in Hong Kong, with the international players taking up leading presence in the market. The engineering consultancy service in building development in Hong Kong is relatively fragmented. The major entry barriers of the industry include reputation and track record, licenses, and established relationships with clients.

Ranking and Market Share

In terms of revenue, the engineering consultancy service in building development in Hong Kong is relatively fragmented. The top five market players have contributed to a market share of 29.2%, with estimated revenue of HK\$1,026.3 million in 2017.

INDUSTRY OVERVIEW

Ranking and Market Share of Leading Building Development Engineering Consultants by Revenue (Hong Kong), 2017

Rank	Company	Estimated Revenue in 2017 (HK\$ Million)	Approximate Market Share (%)
1	Company D	283.8	8.1%
2	Company F	244.7	7.0%
3	Company G	198.3	5.6%
4	Company H	162.2	4.6%
5	Company I	137.3	3.9%
	Top five subtotal	1,026.3	29.2%
	Others	2,488.5	70.8%
	Total revenue of building engineering consultancy in Hong Kong	3,514.8	100.0%

Source: Frost & Sullivan

Remarks:

- (i) Company D is a private and multinational professional services firm headquartered in London with over 10,000 employees which provides engineering, design, planning, project management and consulting services for all aspects of the building environment.
- (ii) Company F is a private Hong Kong-based company with over 100 employees. It specialises in provision of building engineering consultancy for building development.
- (iii) Company G is a private architectural and interior design firm headquartered in Hong Kong with over 600 staff and offices in Beijing, Shanghai, Guangzhou and Shenzhen.
- (iv) Company H is a listed global design, engineering and management consulting company based in Amsterdam, with over 350 offices in 40 countries.
- (v) Company I is a Hong Kong-based private architectural engineering group with presence in over 70 cities.

Entry Barriers

Relationship with clients and property developers – Newly established market entrants who would like to enter the building engineering consultancy services market in Hong Kong may find it difficult to attract new customers which are usually construction contractors, property developers and architectural firms for potential projects. In contrast, existing market players may have already built a well-established and long-term business relationship with those partners whom they cooperated with before. As a result, when there are new consultancy projects, upstream players in the building engineering consultancy market may prefer cooperating with existing market players, instead of newly established entrants. Without establishing client relationship network, new market entrants may find it difficult to expand their market share and compete with existing market players.

INDUSTRY OVERVIEW

Large sum of capital requirement – In order to enter the building engineering consultancy market in Hong Kong, a relatively large amount of capital is required to invest in this business. Existing market players may have already enjoyed managerial economies of scale and division of labour by hiring experienced staff for complex works. Therefore, existing market players with higher financial flexibility may work on larger consultancy projects and deal with the complex needs of major clients at a competitive consultancy fee. In comparison, new entrants without stable financial income and the capital support may find it as an obstacle to operate their business and hire qualified and experienced consultants for their work, which ultimately imposes as a barrier to new players.

Obtaining specific certification – As promulgated by the Government in 2001, consultants and contractors for public works administered by the Works Group of Departments are required to obtain quality management system certification (ISO9001:2000) standards. New market entrants may require additional time and resources to receive certification of their quality management systems. As existing market players may already have sufficient manpower and standardised operation procedures, new market entrants have to demonstrate significant protocol to enter the industry and start competing with existing consultancy firms.

REGULATORY OVERVIEW

We are an engineering consultant in Hong Kong with a focus on the field of infrastructure developments, covering (i) civil engineering mainly including road and structural engineering, geotechnical engineering, drainage engineering and marine engineering; and (ii) traffic engineering.

Below sets out the summaries of certain aspects of major laws and regulations which are relevant to our Group's operation and business.

(1) Legislation and rules governing the professionals hired by our Group

In order to provide the comprehensive engineering consultancy services as mentioned above, we rely on employees who are Registered Professional Engineers.

Registered Professional Engineer

Engineers Registration Ordinance

The Engineers Registration Ordinance (Chapter 409 of the Laws of Hong Kong) (“**ERO**”) governs the registration of professional engineers, the recognition of disciplines within the profession and disciplinary control of the professional activities of Registered Professional Engineers.

Qualification for registration

The register of Registered Professional Engineers is maintained by the Engineers Registration Board (“**ERB**”). ERB shall not register a person as a Registered Professional Engineer unless:

- (a) he/she is a member of the Hong Kong Institution of Engineers (“**HKIE**”) within a discipline or a member of an engineering body the membership of which is accepted by ERB, or has passed such examinations and received such training experience as ERB may accept;
- (b) he/she satisfies ERB that he/she has had 1 year's relevant professional experience in Hong Kong before the date of his/her application for registration;
- (c) he/she is ordinarily resident in Hong Kong;
- (d) he/she is not the subject of an inquiry committee or a disciplinary order under Part IV of ERO which precludes him/her from being registered under ERO;
- (e) he/she satisfies ERB by declaration in writing that he/she is competent to practise in the relevant discipline; and
- (f) he/she is a fit and proper person to be registered.

REGULATORY OVERVIEW

The entry in the register of a person as a Registered Professional Engineer under ERO:

- (a) shall remain in force for 12 months from the date when he/she was registered; and
- (b) may be renewed annually by application of the person so registered.

Use of Title

Section 29(1) of the ERO prohibits a person from describing himself/herself as a “registered professional engineer” with or without a qualifying discipline or to use the initials “R.P.E.”, with or without a qualifying discipline if his/her name is not registered in the register of engineers under the ERO.

Section 29(2) of the ERO further prohibits a person from using the description of “registered professional engineer” or the initials “R.P.E.”, unless the person includes in the description the qualifying discipline either in full or by an abbreviation approved by the Board.

Section 29(4) of the ERO also specifies that a person, including a firm or company shall not use the description of “registered professional engineers” or the initials “R.P.E.” unless:

- (a) at each place where the person carries on the business of engineering, that business is conducted under the supervision of a Registered Professional Engineer of the appropriate discipline who does not act at the same time for any other person other than for a firm or company that has substantially the same beneficial ownership and management as the person (where the person is a firm or company);
- (b) where the person carries on a multi-disciplinary practice, that business, so far as it relates to engineering, is under the full time control and management of a Registered Professional Engineer of the appropriate discipline who does not act at the same time in a similar capacity for any other person other than for a firm or company that has substantially the same beneficial ownership and management as the person (where the person is a firm or company).

Disciplinary Offences

Pursuant to section 20 of the ERO, a Registered Professional Engineer commits a disciplinary offence if he/she:

- (a) commits misconduct or neglect in any professional respect;
- (b) has been convicted of an offence under ERO;

REGULATORY OVERVIEW

- (c) has obtained registration under ERO by fraud or misrepresentation;
- (d) was not at the time of his/her registration under ERO entitled to be registered;
- (e) has held himself/herself out to be a Registered Professional Engineer in a specific discipline when he was not so registered;
- (f) without reasonable excuse, fails to attend before an inquiry committee when summoned either as a witness or as a person in respect of whom the inquiry committee is meeting; or
- (g) has been convicted in Hong Kong or elsewhere of any offence which may bring the profession into disrepute and sentenced to imprisonment, whether the sentence is suspended or not.

In deciding whether a person has committed a disciplinary offence, an inquiry committee established by the ERB may have regard to any code of professional conduct or practice promulgated by ERB or currently in use by the HKIE (referred to as the “**HKIE Rules**” below).

The HKIE Rules

The HKIE Rules sets out the rules of conduct which a member of the HKIE (“**HKIE Member**”) must comply with. The HKIE Rules outlines generally the responsibility owed by an HKIE Member to his/her profession, colleagues, employers or clients and the public:

- (a) An HKIE Member shall order his/her conduct so as to uphold the dignity, standing and reputation of the profession. (Rule 1 of the HKIE Rules)
- (b) An HKIE Member shall not maliciously or recklessly injure nor attempt to injure whether directly or indirectly the professional reputation of another engineer, and shall foster the mutual advancement of the profession. (Rule 2 of the HKIE Rules)
- (c) An HKIE Member shall discharge his/her duties to his/her employer or client with integrity and in accordance with the highest standards of business ethics. (Rule 3 of the HKIE Rules)
- (d) An HKIE Member in discharging his/her responsibilities to his/her employer and the profession shall at all times be governed by the overriding interest of the general public, in particular their environment, welfare, health and safety. (Rule 4 of the HKIE Rules)

REGULATORY OVERVIEW

If a Registered Professional Engineer is found to have committed a disciplinary offence, the inquiry committee may make any one or more of the following orders:

- (a) order the Registrar of ERB (the “**ERB Registrar**”) to remove the name of the Registered Professional Engineer from the register permanently or for such period as the inquiry committee may think fit;
- (b) reprimand the Registered Professional Engineer in writing and order the ERB Registrar to record the reprimand on the register;
- (c) order that an order made under section 23 of ERO be suspended, subject to such conditions as the inquiry committee may think fit, for a period not exceeding 2 years;
- (d) order that ERB shall not accept an application from the Registered Professional Engineer for registration as a Registered Professional Engineer either for a fixed period or until the Registered Professional Engineer satisfies ERB that he/she should be registered;
- (e) order that the chairman of ERB admonish the Registered Professional Engineer orally;
- (f) order the Registered Professional Engineer to pay all or part of the costs of any of the ERB Registrar, ERB or the inquiry committee arising from the case.

The HKIE Constitution

Registered Professional Engineers in Hong Kong are also bound by the constitution of the HKIE (the “**HKIE Constitution**”) if they are HKIE Members.

Professional Conduct

The HKIE Constitution is the constitution adopted by the council of the HKIE (the “**HKIE Council**”) to ensure the fulfilment of the key principles below which a HKIE Member must follow:

- (a) every HKIE Member shall at all times so order his/her conduct as to uphold the dignity and reputation of the Institution, and act with fairness and integrity towards all persons with whom his/her work is connected and towards other members;
- (b) every HKIE Member shall at all times so order his/her conduct as to uphold the dignity and reputation of his/her profession and to safeguard the public interest in matters of safety and health and otherwise. He/she shall exercise his/her professional skill and judgement to the best of his/her ability and discharge his/her professional responsibilities with integrity.

REGULATORY OVERVIEW

Disciplinary Actions

If a HKIE Member of any class shall be found by the board of inquiry to have been guilty of any of the following improper conduct, the HKIE Council may order him/her to be expelled from the HKIE, or that his/her membership be suspended for any period, or that he/she be reprimanded or admonished and/or that he/she be removed from the register maintained by ERB and the list of HKIE Members:

- (a) the making of any false representation or untrue or misleading statement in applying for election or transfer to any class of membership of the HKIE or inclusion on the register maintained by the ERB;
- (b) any breach of the HKIE Constitution or of any regulation, rule or direction made or given thereunder;
- (c) conviction by a competent tribunal of a criminal offence which in the opinion of the HKIE Council renders a member unfit to be a HKIE Member;
- (d) any conduct injurious to the HKIE.

(2) Key legislation relevant to the business of our Group

As advised by the Hong Kong Legal Counsel, in respect of our provision of engineering consulting services, we are not required to obtain any licences, permits or approvals other than the business registration certificate.

The major legislations which we deal with in the course of providing our comprehensive structural and geotechnical engineering consultancy service are: (i) the Buildings Ordinance; (ii) the Buildings Ordinance (Application to the New Territories) Ordinance (Chapter 121 of the Laws of Hong Kong) (the “**BO(ANT)O**”); and (iii) the Fire Services Ordinance (Chapter 95 of the Laws of Hong Kong).

Buildings Ordinance

The BO governs the registration, appointment and duties of various professional parties involved in building works or street works (including Authorized Persons, Registered Structural Engineers, Registered Geotechnical Engineers and Registered Inspectors as mentioned in this section).

Section 14 of the BO provides that no person shall commence or carry out any building works or street works (other than Minor Works with simplified requirements) without obtaining (i) the prior written approval of the Building Authority of documents submitted to him in accordance with the rules and regulations made under the BO and (ii) the prior written consent of the Building Authority for the commencement of building works or street works shown in the approved plan. Section 24 gives the power to the Building Authority to make an order to require the demolition or alteration of the building or building works if the building or the building works has/have been or are being carried out in contravention of any provision of the BO. Section 24C

REGULATORY OVERVIEW

empowers the Building Authority to issue written notice requiring the demolition or alteration of unauthorised building or building works and to cause the notice to be registered with the Land Registry against the land or premises to which the notice relates if the work is not demolished or altered by a specified date.

The powers of the Building Authority under sections 24 and 24C of the BO are however restricted by section 39C of the BO, which provides that the Building Authority must not serve an order or a notice under section 24 or section 24C in respect of a prescribed building or building works on the ground that the building or building works have been completed or carried out in contravention of section 14(1) or not in compliance with the simplified requirements (defined under regulation 4 of the Building (Minor Works) Regulation (Chapter 123N of the Laws of Hong Kong) (“**B(MW)R**”) (the “**Simplified Requirements**”) if certain conditions are met. Such conditions include but is not limited to:

- (a) an Authorized Person, a Registered Structural Engineer, a Registered Inspector, a registered general building contractor, a registered specialist contractor or a registered Minor Works contractor as required by the B(MW)R is to be appointed to inspect the prescribed building or building works;
- (b) the persons referred to in (a) is to submit or deliver to the Building Authority or other persons prescribed plans, certificates, notices and other documents as required by the B(MW)R; and
- (c) where the persons referred to in (a) considers that for the safety of the prescribed building or building works, it is necessary to carry out Minor Works to alter, rectify or reinforce the prescribed building or building works, such works are to be carried out by a prescribed registered contractor under the Simplified Requirements.

Sections 30B and 30C of the BO also give power to Building Authority to serve a written notice on any owners of buildings which (i) are aged 30 years or above to carry out a prescribed inspection and/or prescribed repairs in respect of buildings and (ii) are aged 10 years or above to carry out prescribed inspection and/or prescribed repair in respect of windows.

The service rendered by our Group involves the liaison with the Buildings Department. Our Group prepares and reviews documents for the submission to the Building Authority prior to commencement of building works. Our Group may be required by our clients to prepare for submission of the prescribed plans, certificates, notices and other documents as required by B(MW)R and determine whether it is necessary to carry out Minor Works to alter, rectify or reinforce the prescribed building or building works.

REGULATORY OVERVIEW

Buildings Ordinance (Application to the New Territories) Ordinance

Under sections 4 and 5 of the BO(ANT)O, the Director of Lands may issue a certificate of exemption in respect of building works in the New Territories (as defined in the BO(ANT)O) and shall issue a certificate of exemption in respect of building works in the New Territories for (i) a building to be built by any person and to be used for non-industrial purposes; (ii) a building to be built by a community organisation for the use of the community; (iii) a building to be built on agricultural land and to be used solely for agricultural purposes; and (iv) for the replacement of a temporary structure in the New Territories. The Director of Lands may also issue certificates of exemption in respect of site formation works and drainage works.

A certificate of exemption has the effect, subject to section 7(2) of the BO(ANT)O and to the compliance with any conditions imposed by the Director of Lands, of a waiver of compliance with various sections of the BO specified in section 7(1) of the BO(ANT)O in respect of buildings works, site formation works or drainage works for any building specified in the certificate carried out by or on behalf of the person named in that certificate. Section 7(2) of the BO(ANT)O has the effect of limiting the physical dimensions of a building in respect of which a certificate of exemption is granted. As explained in the information pamphlet titled “Building New Territories Exempted Houses” issued by the Lands Department in December 2014, applicants applying for certificates of exemption in respect of a New Territories exempted house shall, among others, appoint a Registered Structural Engineer or Registered Professional Engineer to monitor the construction of the critical structural elements if the subject building contains certain critical structural elements. Upon completion of building works, the Registered Structural Engineer or Registered Professional Engineer appointed shall submit to the District Lands Officer a construction completion report certifying that, among others, the as-constructed critical structural elements are structurally safe.

Fire Services Ordinance

Section 16(1)(b) of the BO provides that one of the grounds for the Building Authority to refuse to give approval to any plans of building works where the plans are not endorsed with or accompanied by a certificate from the Director of Fire Services certifying either:

- (a) that, having regard to the purpose to which the building is intended to be put (which purpose shall be stated in the certificate), no fire service installation or equipment is necessary in connection with the building that will result from the carrying out of the building works shown on the plans; or
- (b) that the plans have been examined and are approved by him as showing all such fire service installations and equipment as in his opinion, having regard to the purpose to which the building is intended to be put (which purpose shall be stated in the certificate), comprise the minimum fire service

REGULATORY OVERVIEW

installations and equipment necessary for such building in accordance with the Code of Practice for Minimum Fire Service Installations and Equipment and published from time to time by the Director of Fire Services.

Further, the Building Authority may refuse to issue a temporary occupation permit or an occupation permit under section 21 of the BO where in the case of a building the plans whereof were certified by the Director of Fire Services in the terms indicated in section 16(1)(b)(ii) of the BO, the applicant for the permit fails to produce to the Building Authority a certificate from the Director of Fire Services in such form as may be prescribed certifying that he is satisfied that the fire service installations and equipment shown on the plans aforesaid have been provided and are in efficient working order and satisfactory condition.

The Code of Practice for Inspection, Testing and Maintenance of Installations and Equipment is published in accordance with regulation 10 of the Fire Service (Installations and Equipment) Regulations (Chapter 95B of the Laws of Hong Kong) to indicate the type and nature of inspections and tests which installations and equipment must normally pass in order to satisfy the Director of Fire Services and to give guidance as to the conduct of inspections and tests. It does not lay down any hard and fast rules. Special factors and circumstances may require variations in respect of any particular building, and the Director of Fire Services may require additional inspections or tests before he is so satisfied.

Depending on the scope of our services, our Group prepares building designs for its clients and specifies the type of installations and equipment necessary for the relevant premises under the aforesaid codes of practice. Following the submission of the building designs, the clients will hire registered contractors registered under the Fire Service (Installation Contractors) Regulations (Chapter 95A of the Laws of Hong Kong) to install, maintain, repair or inspect any fire service installation or equipment in any premises.

(3) Guidelines on the selection of consultants for Government projects

(1) Guidelines of the EACSB

The EACSB is appointed by the Secretary for Financial Services and the Treasury to, inter alia, approve the selection and appointment of engineering and associated consultants for Government projects other than those selected and appointed by departmental consultants selection committees. The EACSB follows the EACSB Handbook, which provides guidance on matters relating to the selection and appointment of consultants, their terms and conditions of employment, and their management (where appropriate) throughout an agreement. The EACSB's jurisdiction covers consultancies in the following fields: civil engineering, geotechnical engineering, structural engineering (excluding Architectural Services Department), mechanical engineering, electrical engineering and electronics, development, planning, transportation, water resources, environmental planning and engineering, and chemical engineering.

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The EACSB Secretariat keeps a Consultants' Services Directory which contains the names and addresses of consulting firms that have expressed an interest in working for the Government on a consultancy basis, who provide services in the engineering and associated fields, and who have completed a standard "EACSB Consultant's Profile" form. Consulting firms should provide updated profiles to the EACSB Secretariat if there are any changes. The EACSB Secretariat may from time to time require a consulting firm to verify its own information that was found incorrect or dubious. In case that the clarification or response provided by the consulting firm is not satisfactory or not within the specified deadline, the information of a consulting firm will be removed from the Consultants' Services Directory. There are no specific eligibility requirements for a consulting firm to be included and maintained in the Consultants' Services Directory. The Consultants' Services Directory lists each firm alphabetically, giving fields of declared interest or expertise and also lists firm's staff resources for each discipline. It serves as a source of information in addition to Government departments' other suitable sources of potential consultants. Selection of consultants would not be restricted to the firms in the Consultants' Services Directory and all consulting firms having the potential to provide the services would be considered.

For each relevant Government project, an assessment panel, normally comprising three to five marking members, depending on the size and nature of the project, is established to assess consultants. Selection of a consultant for a consultancy can either be through a one-stage or a two-stage process, although the EACSB may, in very exceptional circumstances, agree to the direct selection of a consultant for consultancy.

One-stage selection

Under the one-stage selection, the assessment panel may agree to invite technical and fee proposals directly from an initial list of consulting firms for suitable assignments if certain criteria are met. Generally speaking, the following assignments are considered suitable for adoption of the one-stage selection:

- (a) assignments of values (lump sum fee or time charge ceiling) not exceeding HK\$5 million and adopting a 63%/27%/10% technical/consultancy fee/fee quality weighting or lower; and
- (b) assignments of values not exceeding HK\$9 million of the following specific types of consultancies where considerable number of consulting firms with long history of relevant and proven experience in similar consultancy assignments are available and adopting a 63%/27%/10% technical/consultancy fee/fee quality weighting or lower:
 - (i) landslip prevention and mitigation projects;
 - (ii) road reconstruction and minor improvement projects;
 - (iii) waterworks projects; and
 - (iv) drainage and sewerage improvement projects.

REGULATORY OVERVIEW

Two-stage selection

A two-stage selection comprises longlisting and shortlisting.

Longlisting of consultants

The assessment panel would select suitable consultants from all reasonably available sources to form the longlist based on the agreed selection criteria and marking system. All available information would be used for forming the longlist, with usually 15 to 20 consultants depending on the nature of the services involved.

Subject to the agreement of the assessment panel, the managing department would send an invitation letter to those consultants on the longlist requesting them to express an interest in being considered for the consultancy.

Shortlisting of consultants

The criteria for screening the longlist to form the shortlist will vary depending on the nature of the assignment. These criteria are determined by the assessment panel. In shortlisting consultants at the expression of interest stage, departments would refer to the criteria as summarized below as a guide:

Appreciation of the key requirements and constraints/risks	5-10%
Approach and strategy to meet the requirements of the assignment (departments may include sub-criteria where appropriate, to cover the consultants' approach and strategy on innovation, creativity, mechanization, prefabrication, other productivity enhancements, cost reduction, expenditure leveling, etc.)	20-40%
Previous relevant experience both in Hong Kong and elsewhere	5-10%
Knowledge, experience and capability of key staff	35-45%
Past performance of the consultant	10-20%
Past performance of sub-consultants	0-10%

From the expressions of interests received, a recommended shortlist of normally four suitable consultants would then be prepared based on the outcome of the assessment carried out by the assessment panel. After the EACSB's approval of the shortlist, the unsuccessful consultants would be notified, and the shortlisted consultants would be invited to submit both technical proposals and fee proposals.

Formal agreement with selected consultant

After the managing department has reviewed the technical proposals and the fee proposals, it would submit the marking results and its recommendation to the EACSB. On final approval of the EACSB, the managing department would award the project to and enter into formal agreement with the winning consultant.

REGULATORY OVERVIEW

(II) Guidelines of the AACSB

The AACSB is appointed by the Secretary for Financial Services and the Treasury to, inter alia, approve the selection and appointment of architectural and associated consultants for Hong Kong Government projects, other than those selected and appointed by departmental consultants selection committees. The AACSB maintains a list of consultants (the “**AACSB List of Consultants**”) that are eligible to bid for Government projects.

The AACSB List of Consultants consists of six categories, namely architectural, building services, building surveying, landscape architectural, quantity surveying and structural engineering. We intend to apply for registration on the AACSB List of Consultants under the structural engineering category.

The architectural, building services, structural engineering and quantity surveying categories are each divided into two bands (“**Bands**”, each a “**Band**”) according to the number of qualified professional staff and years of establishment of the consultancy firm. Unless with the approval of the AACSB in exceptional cases, Band 1 consultants are eligible to undertake consultancies with estimated project value exceeding HK\$300 million, whereas Band 2 consultants are eligible to undertake consultancies with estimated project value not exceeding HK\$300 million.

To be included in the AACSB List of Consultants in the structural engineering category, the company must be a registered company in Hong Kong or possess a valid Hong Kong business registration certificate, and satisfy the minimum entry requirements promulgated by the AACSB, the major requirements of which are summarised below:

Members of staff:	Band 1 – Minimum of 10 qualified engineers, at least two of whom must be a Registered Structural Engineer.
	Band 2 – Minimum of two qualified engineers who must also be a Registered Structural Engineer.
	At least one of the resident principals of the firm must be a qualified engineer. A consultant to a firm is not counted as staff. Only full time employees are counted as staff of a consultant.
Qualifications:	Qualified engineer means corporate member of a professional institution recognised for corporate membership of the Hong Kong Institute of Engineers (Civil or Structural Engineering discipline) elected after 5 December 1975. For holders of qualifications in the field of civil engineering, appropriate experience in structural engineering design and practice is required.

REGULATORY OVERVIEW

Resident status:	To count as staff, individuals must be resident Hong Kong ID Card holders or work visa holders and the practice must constitute their principal source of employment.
History:	Band 1 – The firm must have practiced in the relevant profession in Hong Kong for a minimum of five continuous years. Band 2 – The firm must have practiced in the relevant profession in Hong Kong for a minimum of two continuous years.
Size and equipment:	Local Hong Kong office of reasonable size, suitably furnished and adequately equipped with appropriate modern drafting and computing facilities.
Number of supporting staff:	Employing a reasonable number of technical and clerical supporting staff locally.
Standards and nature of work carried out:	Projects shall be generally similar in scale and complexity with Arch SD projects. The applicant should demonstrate satisfactory design and supervision work standards on at least two completed local building projects, covering the full scope of structural engineering services, within the past five years. The total building cost of one of the projects must be over HK\$100 million.
ISO Certification:	The firm must have obtained the ISO 9001:2008 certification.

(III) Proposed Security of Payment Legislation (“SOPL”)

The Government has conducted a public consultation on the proposed security of payment legislation for the construction industry to promote fair payment and help main contractors, subcontractors, consultants, sub-consultants and suppliers to receive payment on time for work done and services provided, so as to improve payment practices and provide rapid dispute resolution. The Government will proceed with the legislative work with the aim of introducing the bill to the Legislative Council of Hong Kong in 2018/2019.

REGULATORY OVERVIEW

According to a paper regarding public consultation on the proposed SOPL submitted to the Legislative Council Panel on Development by the Government in June 2016, the following major issues are met with positive support from the public:

- (a) Regarding the scope of application, the SOPL shall (i) apply to all construction works and consultancy contracts in the public sector entered into by the Government and 31 specified statutory and/or public bodies and corporations; (ii) apply to all subcontracts at all tiers irrespective of contract value where it applies to the main contract; and (iii) cover contracts for supply of materials or plant.
- (b) Regarding the payment arrangement, (i) parties shall be free to agree when payments can be claimed and the basis of valuation of work or services except that the duration for payment shall not exceed 60 calendar days for both interim and final payments; (ii) default payment terms will apply if the parties do not make express provisions in their contracts; and (iii) paying parties who fail to serve payment response within 30 calendar days of receipt of a payment claim which they are entitled to serve will not be automatically liable to the full amount of the payment claim but will not be able to raise any set off against amounts properly due against the payment claim.
- (c) “Pay when paid” type contractual clauses shall be rendered ineffective even when the reason for non-payment is insolvency higher in the supply chain.
- (d) Regarding suspension of work on non-payment, unpaid parties (i) shall have the right to suspend or reduce progress of work; (ii) must give written notice of their intention to suspend to the non-paying parties and take reasonable steps to notify the site owner; and (iii) shall be entitled to costs and additional time in respect of delay and disruption arising from the suspension.
- (e) Regarding dispute resolution, both parties to a contract shall have the right to refer payment-related disputes to adjudication and the time limit for commencing adjudication shall be within 28 calendar days of such dispute arises, whereas no time limit shall be imposed for commencing adjudication for disputes on time for performance or entitlement to extension of time for performance. The adjudicator shall publish its decision within 55 working days of appointment and such decision shall be enforced in the same way as court judgments.

The Government will further consider whether (i) the coverage in the private sector should be limited to contracts for “new buildings” (as defined in the Buildings Ordinance) with original contract value exceeding HK\$5 million, including extension to repair, maintenance, alternation and addition works; (ii) SOPL shall cover oral, partly oral and written contracts; (iii) SOPL shall cover contracts for professional services;

REGULATORY OVERVIEW

(iv) “pay when paid” clauses should be rendered ineffective in nominated subcontracts; and (v) whether parties should be entitled to refer disputes on time for performance or entitlement to extension of time for performance to adjudication.

It is probable that some of our contracts will be caught by the SOPL and where such contracts are subject to SOPL, we will have to ensure that their terms and our payment practice comply with the legislation in this regard. SOPL is designed to assist contractors throughout the contractual change to ensure cash-flow and access to a swift dispute resolution process. However, there are still uncertainties on the final legislative framework to be submitted to the Legislative Council for consideration and approval. During the Track Record Period, we have not adopted any “pay when paid” policy with our subconsultants and we were usually granted a credit term of 0 to 30 days by our subconsultants. As at 31 December 2016 and 2017, approximately HK\$0.3 million and HK\$0.8 million of our trade payables were aged 60 days or above. Our Directors consider that the aforesaid trade payables aged 60 days or above represented only an insignificant portion of our cost of services during the Track Record Period, and hence a shorter payment period for such amounts is unlikely to have any material adverse impact on our financial position. As the SOPL comes into implementation, we will ensure that our payment to subconsultants will be settled within the 60-calendar day requirements pursuant to the proposed terms of the SOPL. Based on the above and subject to the terms of the final legislation, our Directors believe that the implementation of the SOPL will not have any significant impact on our liquidity and cash management.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

OVERVIEW

The history of our Group can be traced back to 2005 when Mr. Cheung (an executive Director, our chief executive officer and our Chairman) established Mannings, our principal operating subsidiary, with a view to carry on the business of engineering consultancy in Hong Kong. Mr. Cheung had been the sole beneficial owner of Mannings since its incorporation until the Reorganisation. Mr. Cheung has more than 30 years of relevant experience in the civil engineering industry. For details of his biographical information, please refer to the section headed “Directors and senior management” in this prospectus.

Our key business milestones

Set out below is a summary of the key achievements and business milestones of our Group:

Date	Milestone
2005	Mannings, our principal operating subsidiary, was incorporated in Hong Kong.
2007	Mannings secured its first Government consultancy project, in which Mannings was responsible for conducting a study regarding the impact of certain infrastructural development works in relation to Tseung Kwan O Stage I Landfill Site.
2008	Mannings was engaged to provide engineering consultancy services in relation to the retrofitting of noise barriers on Tai Po Tai Wo Road.
2009	Mannings was first engaged by a construction contractor to provide consultancy services in a design and build contract for a permanent structure, which concerned infrastructure works at a landfill site in Tseung Kwan O including an arch-shaped bridge across Eastern Channel of Tseung Kwan O.
2010	Mannings was engaged to provide engineering consultancy services in relation to traffic improvements to Town Centre section of Tuen Mun Road.
2013	Mannings was first engaged by a Government authority primarily responsible for public housing development in Hong Kong to provide engineering consultancy services.
2015	Mannings secured its first consultancy agreement with the Government for advisory services on the implementation of contract administration procedures in an infrastructure development project.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

2017

Mannings was engaged by the Government to provide engineering consultancy services for the design and construction of a public inclined lift system in Kwai Chung.

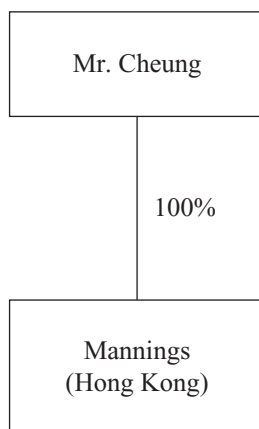
CORPORATE HISTORY

Mannings

Mannings, our wholly-owned and principal operating subsidiary, was incorporated in Hong Kong on 20 October 2005 with an authorised share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. On the same day, two subscriber shares of Mannings were issued and allotted to Ms. Chiu. On 19 October 2009, 98 new shares in Mannings were issued and allotted to Ms. Chiu. Pursuant to a declaration of trust dated 20 October 2005 and a declaration of trust dated 19 October 2009, both made between Ms. Chiu as the trustee and Mr. Cheung as the beneficiary, Ms. Chiu declared that she held all issued shares of Mannings upon trust for Mr. Cheung due to family arrangement. Accordingly, Mr. Cheung had been the sole beneficial owner of Mannings since its incorporation. On 7 December 2016, Mr. Cheung acquired the entire issued shares of Mannings from Ms. Chiu. After such transfer of shares, Mannings became wholly-owned by Mr. Cheung.

CORPORATE STRUCTURE PRIOR TO REORGANISATION

Immediately before the Reorganisation, Mannings had a total paid up capital of HK\$100.00 and a total of 100 shares in issue, all of which were owned by Mr. Cheung. The following diagram sets out the corporate structure of our Group immediately before the Reorganisation:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

REORGANISATION

The companies comprising our Group underwent a reorganization in preparation for the Listing, pursuant to which our Company became the holding company of our Group. The Reorganisation involved the following major steps:

Capitalisation of shareholder's loan and subscription of shares in Mannings

On 27 February 2018, Mr. Cheung and Mannings entered into a capitalisation agreement, pursuant to which Mr. Cheung agreed to capitalise part of his shareholder's loan previously granted to Mannings in the amount of HK\$4,999,900 and Mannings agreed to issue and allot 4,999,900 new ordinary shares to Mr. Cheung (the "**Loan Capitalisation**"). Upon completion of the Loan Capitalisation, Mannings had a total paid up capital of HK\$5,000,000 and a total of 5,000,000 shares in issue, all of which were owned by Mr. Cheung.

Incorporation of Waywin Investment and Richness Universal

On 6 March 2018, Waywin Investment was incorporated in the BVI with liability limited by shares and is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each. On the same day, one ordinary share of Waywin Investment was issued and allotted to Mr. Cheung at par value for cash consideration.

On 12 January 2018, Richness Universal was incorporated in the BVI with liability limited by shares and is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each. On 5 March 2018, one ordinary share of Richness Universal was issued and allotted to Mr. Cheung at par value for cash consideration.

Acquisition of Mannings by Richness Universal

On 7 March 2018, Mr. Cheung, as vendor, and Richness Universal, as purchaser, entered into a sale and purchase agreement, pursuant to which Richness Universal acquired 5,000,000 shares of Mannings, representing all of its issued shares, from Mr. Cheung, at the consideration of HK\$17,453,948.99 and in return, Richness Universal issued and allotted 901 ordinary shares, credited as fully-paid, to Mr. Cheung. The consideration of the acquisition was determined with reference to the unaudited net asset value of Mannings as at 31 December 2017. Upon the completion of the above acquisition on 8 March 2018, Mannings became a wholly-owned subsidiary of Richness Universal.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Pre-IPO Investments

Pursuant to the 1st Tranche Pre-IPO Subscription Agreement, on 13 March 2018, Mr. Cheng subscribed for 98 new ordinary shares in Richness Universal, at the consideration of HK\$3,500,000.00 (the “**1st Tranche Pre-IPO Subscription**”), and the transaction was completed on 13 March 2018 and payment of the consideration was made on the same day. The consideration was determined based on arm’s length negotiations with reference to the unaudited net asset value of Mannings as at 31 December 2017, the strategic values brought by Mr. Cheng’s investment and the business prospects of the Group. Upon completion of the 1st Tranche Pre-IPO Subscription, Richness Universal was owned as to approximately 90.2% by Mr. Cheung and as to approximately 9.8% by Mr. Cheng.

Pursuant to the 2nd Tranche Pre-IPO Subscription Agreement, on 28 March 2018, Polar Lights and Twinkle Galaxy each subscribed for 192 new ordinary shares in Richness Universal at the consideration of HK\$4,250,000.00, in aggregate of 384 new ordinary shares in Richness Universal with total consideration of HK\$8,500,000.00 (the “**2nd Tranche Pre-IPO Subscription**”), and the transaction was completed on 28 March 2018 and payments of the consideration were made on the same day. The consideration was determined with reference to the unaudited net asset value of Mannings as at 31 December 2017, the investment made by Mr. Cheng pursuant to the 1st Tranche Pre-IPO Subscription and the business prospects of the Group. Immediately prior to the allotment of shares pursuant to the 2nd Tranche Pre-IPO Subscription, 518 new ordinary shares and 98 new ordinary shares of Richness Universal, credited as fully paid at par, were allotted to Mr. Cheung and Mr. Cheng respectively, by way of bonus issue. Upon completion of the 2nd Tranche Pre-IPO Subscription, Richness Universal was owned as to 71.0% by Mr. Cheung, 9.8% by Mr. Cheng, 9.6% by Polar Lights and 9.6% by Twinkle Galaxy.

Incorporation of our Company

On 18 April 2018, our Company was incorporated in the Cayman Islands as an exempted company with limited liability with an initial authorised share capital of HK\$100,000 divided into 10,000,000 Shares with par value of HK\$0.01 each. On the same day, one nil-paid subscriber Share, was allotted and issued to the initial subscriber. The nil-paid subscriber Share was later transferred to Waywin Investment on the same date.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Acquisition of Richness Universal by our Company

On 10 August 2018, Mr. Cheung, Mr. Cheng, Polar Lights and Twinkle Galaxy, as vendors, and our Company, as purchaser, entered into a sale and purchase agreement, pursuant to which our Company acquired 1,420 ordinary shares, 196 ordinary shares, 192 ordinary shares and 192 ordinary shares of Richness Universal, representing all of its issued shares in aggregate, from Mr. Cheung, Mr. Cheng, Polar Lights and Twinkle Galaxy, and in consideration thereof, (i) the one nil-paid Share held by Waywin Investment was credited as fully paid (at the direction of Mr. Cheung); and (ii) our Company issued and allotted 1,419 Shares, 196 Shares, 192 Shares and 192 Shares, credited as fully-paid, to Waywin Investment (at the direction of Mr. Cheung), Mr. Cheng, Polar Lights and Twinkle Galaxy, respectively. The consideration was determined with reference to the unaudited net asset value of Mannings as at 30 June 2018, the Pre-IPO Investments and the business prospects of the Group. Upon the completion of the above acquisition on 10 August 2018, Richness Universal became a wholly-owned subsidiary of our Company.

Upon completion of the Reorganisation on 10 August 2018, our Company became the holding company of our Group.

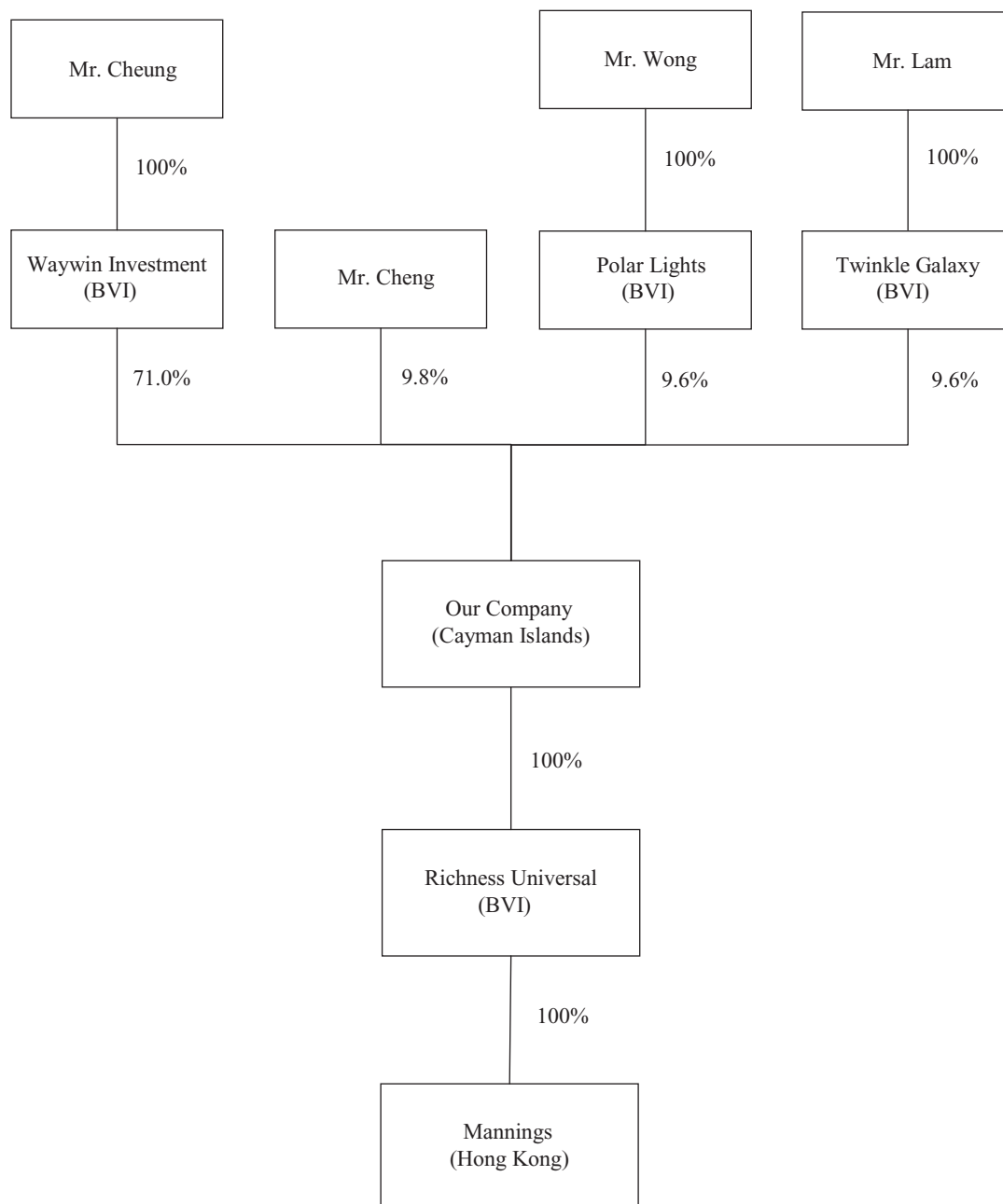
CAPITALISATION ISSUE

Pursuant to the resolutions of the Shareholders passed on 20 August 2018, subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares by our Company pursuant to the Share Offer, our Directors were authorised to capitalise an amount of HK\$5,999,980 (or any such amount any one Director may determine) standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 599,998,000 Shares (or any such number of Shares any one Director may determine) for allotment and issue to the Shareholder(s) whose name(s) appear on the register of members or the principal share register of our Company at the close of business on 20 August 2018 (or as each of them 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 respective shareholdings in our Company, and the Shares allotted and issued shall rank pari passu in all respects with the then existing issued Shares.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

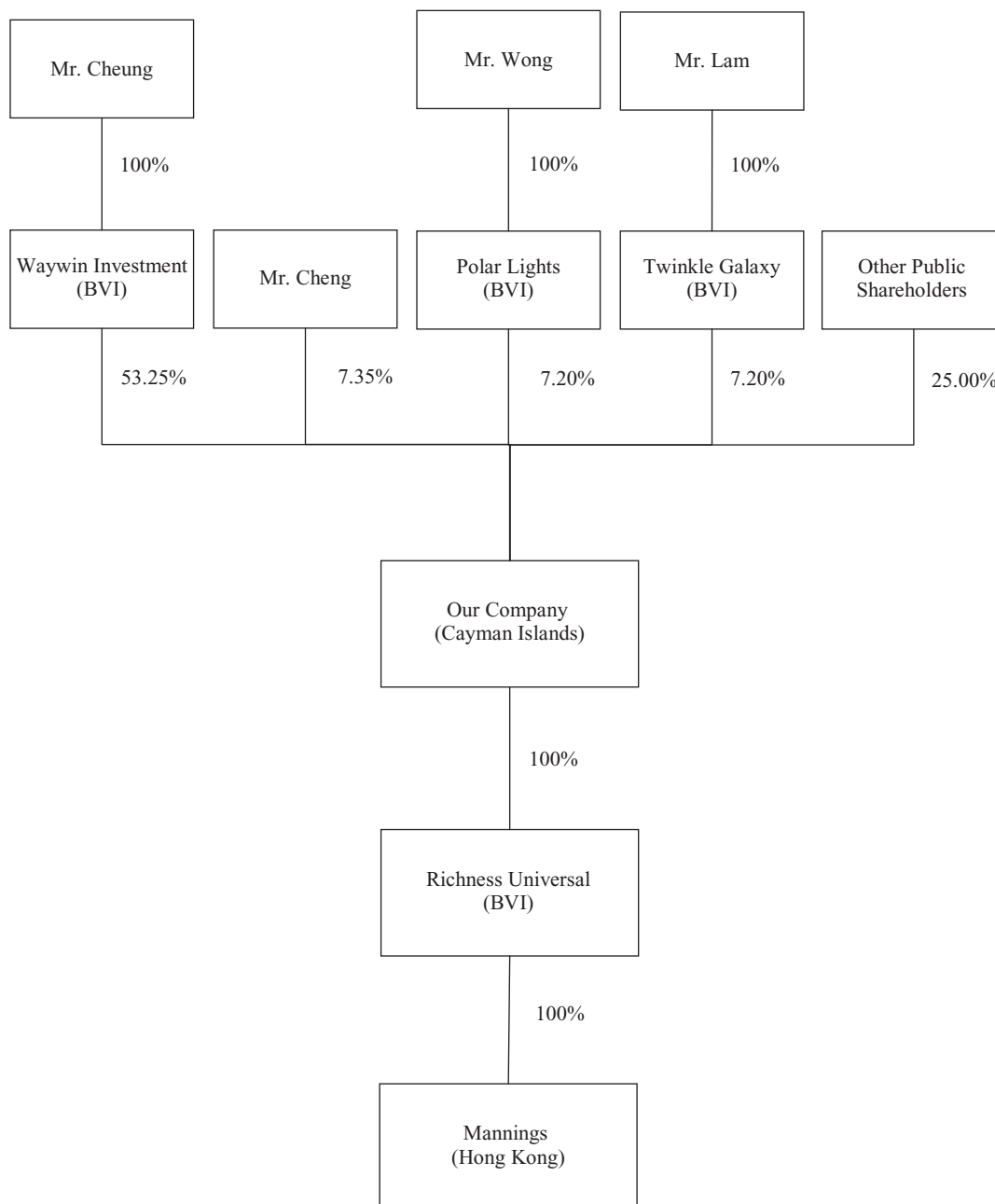
GROUP STRUCTURE

The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganisation but prior to completion of the Capitalisation Issue and the Share Offer:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart sets forth the shareholding structure of our Group immediately following the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme):



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

PRE-IPO INVESTMENTS

On 13 March 2018, Mr. Cheng subscribed for 98 new shares in Richness Universal, and the transaction was completed and payment of the consideration was made on the same day. On 28 March 2018, Polar Lights and Twinkle Galaxy each subscribed for 192 new shares in Richness Universal and the transaction was completed and payments of the consideration were made on the same day. The table below sets forth details of the Pre-IPO Investments:

Name of the Pre-IPO Investor	Mr. Cheng	Polar Lights	Twinkle Galaxy
Date of Pre-IPO Subscription Agreement	13 March 2018	28 March 2018	28 March 2018
Consideration paid	HK\$3,500,000.00	HK\$4,250,000.00	HK\$4,250,000.00
Basis of determining the consideration	<i>(Note 1)</i>	<i>(Note 2)</i>	<i>(Note 2)</i>
Payment date of the consideration	13 March 2018	28 March 2018	28 March 2018
Approximate cost per Share paid under the Pre-IPO Investments (HK\$ per Share) <i>(Note 3)</i>	0.06	0.07	0.07
Approximate discount to mid-point of the Offer Price range	82.9%	80.0%	80.0%
Use of proceeds from the Pre-IPO Investments	General working capital of our Group which has been partly used in financing our daily operations.		
Approximate percentage of shareholding in Richness Universal upon completion of the Pre-IPO Investments	9.8%	9.6%	9.6%
Approximate percentage of shareholding in our Company immediately following completion of the Capitalisation Issue and the Share Offer	7.35%	7.20%	7.20%
Lock-up period <i>(Note 4)</i>	Nil	Nil	Nil

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Public float

The Pre-IPO Investors will be considered public Shareholders as they each holds less than 10% of the issued share capital in our Company upon completion of the Capitalisation Issue and the Share Offer, and the Shares held by the Pre-IPO Investors will form part of the public float for the purpose of Rule 11.23(7) of the GEM Listing Rules.

Strategic benefits to our Company

Our Directors believe that the investments will benefit our Group by providing strategic and development cooperation opportunities and advice to the business of our Group. In particular, our Group may benefit from exposure to potential new referral clients obtained through Mr. Cheng's personal and business connections made while working in the property development industry, as well as Mr. Cheng's views on business management and market opportunities.

Notes:

1. The consideration was determined based on arm's length negotiations with reference to the unaudited net asset value of Mannings as at 31 December 2017, the strategic values brought by Mr. Cheng's investment and the business prospects of the Group.
2. The consideration was determined with reference to the unaudited net asset value of Mannings as at 31 December 2017, the investment made by Mr. Cheng pursuant to the 1st Tranche Pre-IPO Subscription and the business prospects of the Group.
3. For illustration purposes only, on the basis of our enlarged issued share capital immediately upon completion of the Share Offer (without taking into account the Shares to be issued upon the exercise of the Offer Size Adjustment Option or options granted or to be granted under the Share Option Scheme).
4. The terms of the Pre-IPO Subscription Agreements did not impose any lock-up obligations over the Shares held by the Pre-IPO Investors, except where required by the Stock Exchange, if applicable.

Pursuant to the Pre-IPO Subscription Agreements, Mr. Cheng, Polar Lights and Twinkle Galaxy were granted certain special rights in relation to Richness Universal. Such special rights have lapsed on 4 May 2018, i.e. the date of the first filing of the application proof for the Listing, in accordance with the terms of the Pre-IPO Subscription Agreements.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Background of the Pre-IPO Investors

Based on the information provided by the Pre-IPO Investors, set out below is a brief description of the Pre-IPO Investors:

Background of Mr. Cheng

Mr. Cheng is an executive director of Chow Tai Fook Jewellery Group Limited (stock code: 1929) and an executive director of New World Development Company Limited (stock code: 0017), both of which are companies listed on the Stock Exchange. He holds a Bachelor of Arts degree in Economics from The Western University (formerly known as The University of Western Ontario). He is a member of the executive committee of the Diamond Federation of Hong Kong, China Limited.

Our Group first came into contact with Mr. Cheng through Mr. Cheung, who became personally acquainted with Mr. Cheng through an industry event.

To the best of the information and knowledge of the Directors, Mr. Cheng is an independent third party and has no past or present relationships with our Group, our Shareholders, our Directors, our senior management personnel, or any of their respective associates and any connected persons of our Company.

Background of Polar Lights

Polar Lights is a company incorporated in the BVI with liability limited by shares on 2 January 2018 and is directly wholly owned by Mr. Wong. Polar Lights is an investment holding company.

Mr. Wong is the sole shareholder and director of Polar Lights. He is experienced in the civil engineering industry and has been a director of a private construction company based in Hong Kong since 2002. He obtained a Bachelor of Science in Civil Engineering in 1976. He has been a Member of The Hong Kong Institution of Engineers since 1986 and a Fellow of Hong Kong Institution of Highways and Transportation since 2000.

Mr. Wong is a director and/or shareholder of two companies which were clients of Mannings, to whom Mannings provided consultancy services under two contracts in FY2016 and FY2017. Revenue contributed by the two companies in FY2016, FY2017 and the three months ended 31 March 2018 was approximately 0.2%, approximately 0.1% and 0% of our total revenue.

To the best of the information and knowledge of the Directors, except as disclosed above, Mr. Wong is an independent third party and has no past or present relationships with our Group, our Shareholders, our Directors, our senior management personnel, or any of their respective associates and any connected persons of our Company.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Background of Twinkle Galaxy

Twinkle Galaxy is a company incorporated in the BVI with liability limited by shares on 2 January 2018 and is directly wholly owned by Mr. Lam. Twinkle Galaxy is an investment holding company.

Mr. Lam is the sole shareholder and director of Twinkle Galaxy. He is the managing director of a private construction company based in Hong Kong since 2002 and has over 30 years of work experience in the civil engineering industry. He obtained a Bachelor of Applied Science (Civil Engineering) in 1980 and a Master of Engineering (Civil Engineering) in 1982. He has been a Corporate Member of The Institution of Civil Engineers and a Corporate Member of The Institution of Engineers, Australia since 1988, a Corporate Member of The Hong Kong Institution of Engineers since 1993 and a Fellow of The Hong Kong Institution of Engineers since 2013.

Mr. Lam is a director of a company which was and, as at the Latest Practicable Date, still is a client of Mannings. Mannings provided consultancy services to said client and said client's joint venture entity under four contracts in FY2016, two contracts in FY2017 and three contracts in the three months ended 31 March 2018. Revenue contributed by this client and said client's joint venture entity in FY2016, FY2017 and the three months ended 31 March 2018 was approximately 0.7%, approximately 1.5% and approximately 2.1% of our total revenue.

To the best of the information and knowledge of the Directors, except as disclosed above, Mr. Lam is an independent third party and has no past or present relationships with our Group, our Shareholders, our Directors, our senior management personnel, or any of their respective associates and any connected persons of our Company.

Confirmation from the Sponsor

On the above basis, the Sponsor has confirmed that the Pre-IPO Investments are in compliance with Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 and March 2017 and Guidance Letter HKEx-GL44-12 issued in October 2012 and updated in March 2017 both by the Stock Exchange and it is of the view that the Pre-IPO Investments are in compliance with the "Interim Guidance on Pre-IPO Investments" issued on 13 October 2010 by the Listing Committee since payments of the consideration under the Pre-IPO Subscription Agreements were made on or before 28 March 2018, which was more than 28 clear days before the date of the first submission of the listing application form to the Stock Exchange in relation to the Listing.

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BUSINESS OVERVIEW

We are an engineering consultant in Hong Kong with a focus on the field of infrastructure developments. Since our establishment in 2005, we have accumulated our expertise in different branches of engineering, covering (i) civil engineering mainly comprising road and structural engineering as well as geotechnical engineering; and (ii) traffic engineering. During the Track Record Period, all of our revenue was derived in Hong Kong in terms of the geographical location of our project sites.

Our engineering consultancy services are widely required in various kinds of infrastructure developments. In respect of our civil engineering services, we have been the engineering consultant for a variety of infrastructure works mainly including roads, bridges, noise barriers, barrier-free access facilities, slope improvement, foundation works, drainage and riverwalls. In respect of our traffic engineering services, we have been involved in conducting traffic and transportation planning, traffic impact assessment studies, and temporary traffic management for our clients which are ancillary to the implementation of associated construction works. Our traffic engineering consultancy services are generally applied in proposed traffic diversions during various stages of associated construction works.

To a lesser extent, we also provide other ancillary services which mainly comprised (i) deployment of engineering and related staff to Government authority by recruiting, employing and remunerating appropriate individuals on contract basis; and (ii) advisory services on the implementation of contract administration procedures in infrastructure development project.

The following table sets forth a breakdown of our revenue during the Track Record Period by reference to the nature of our services:

	FY2016		FY2017		Three months ended 31 March			
	HK\$'000	%	HK\$'000	%	2017 HK\$'000	%	2018 HK\$'000	%
	<i>(unaudited)</i>							
Civil engineering								
– Road and structural engineering	36,346	51.0	47,571	55.2	13,134	66.8	8,875	42.6
– Geotechnical engineering	7,892	11.1	8,130	9.4	1,380	7.0	2,129	10.2
– Others ^(Note)	7,359	10.3	6,001	7.0	507	2.6	586	2.9
Sub-total	51,597	72.4	61,702	71.6	15,021	76.4	11,590	55.7
Traffic engineering	17,576	24.6	21,795	25.3	3,915	19.9	7,373	35.4
Other ancillary services	2,140	3.0	2,724	3.1	737	3.7	1,846	8.9
Total	71,313	100.0	86,221	100.0	19,673	100.0	20,809	100.0

Note: Others mainly included drainage engineering and marine engineering.

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We are experienced in providing different aspects of engineering consultancy services, which mainly comprise (i) conducting investigation and feasibility studies; (ii) conducting engineering designs and planning; (iii) construction supervision for civil engineering projects; (iv) assisting our clients in consulting and obtaining consents or approvals from relevant authorities for their projects; and (v) inspecting and certifying the construction works undertaken by our clients. Depending on our clients' needs and requirements for their infrastructure works, we may be required to provide one or more aspects of the above engineering consultancy services in our projects.

It is our mission to provide quality engineering consultancy services to clients in assisting them to carry out their projects in a cost-effective and efficient manner. Our clients during the Track Record Period mainly comprised (i) construction contractors undertaking civil engineering and building construction projects; (ii) different Government authorities; and (iii) other clients which mainly include public transportation corporation, property developers and architectural firms which need our consultancy services on the engineering aspects of the projects. Based on the F&S Report, in infrastructure development projects, construction contractors are often required to provide design-and-build services which include preparation of engineering designs, budgeting and resources coordination, building and construction works, and project management and execution. As construction contractors generally do not maintain sufficient in-house professional engineers, they therefore often engage external consultants (such as our Group) to provide engineering consultancy services at various stages of the projects.

The following table sets forth a breakdown of our revenue and number of projects undertaken during the Track Record Period by reference to the category of our clients:

	FY2016			FY2017			Three months ended 31 March					
							2017			2018		
	No. of projects	HK\$'000	%	No. of projects	HK\$'000	%	No. of projects	HK\$'000	%	No. of projects	HK\$'000	%
							(unaudited)					
Construction contractors ^(Note 3)	266	51,673	72.5	268	65,742	76.2	163	16,890	85.9	144	12,724	61.1
Government authorities ^(Note 4)	23	12,390	17.4	27	15,302	17.7	18	2,716	13.8	24	7,203	34.6
Others ^(Note 5)	43	7,250	10.1	39	5,177	6.1	4	67	0.3	10	882	4.3
Total	332	71,313	100.0	334^(Note 1)	86,221	100.0	185	19,673	100.0	178^(Note 2)	20,809	100.0

Notes:

1. Out of the 334 projects which contributed revenue to FY2017, 163 projects also contributed revenue to FY2016.
2. Out of the 178 projects which contributed revenue to the three months ended 31 March 2018, 149 projects also contributed revenue to FY2017.
3. In respect of projects awarded by construction contractors, approximately HK\$37.2 million, HK\$51.2 million and HK\$9.8 million of our revenue, representing approximately 52.2%, 59.4% and 47.1% of our total revenue, was derived from projects of which project owners were Government authorities for FY2016, FY2017 and the three months ended 31 March 2018, respectively.
4. These include projects awarded to us directly by Government authorities.

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5. Other clients mainly include public transportation corporation, property developers and architectural firms.

We provide our engineering consultancy services through our principal operating subsidiary, Mannings. As at the Latest Practicable Date, Mannings was one of the engineering consultants on the Consultants' Services Directory maintained by the EACSB. The Consultants' Services Directory is made available to different Government authorities for selection and engagement of suitable engineering and associated consultants to carry out Government projects. The EACSB's jurisdiction covers consultancies in the following fields: civil engineering, geotechnical engineering, structural engineering (excluding Architectural Services Department), mechanical engineering, electrical engineering and electronics, development, planning, transportation, water resources, environmental planning and engineering, and chemical engineering. For further details, please refer to the section headed "Regulatory overview – (3) Guidelines on the selection of consultants for Government projects" in this prospectus.

We leverage on the expertise of our in-house engineering team comprising Registered Professional Engineers, Chartered Engineers, members of various professional engineering institutions including HKIE, ICE, IStructE and CIHT, and other engineering staff, who possess practical skills and experience as required in handling our projects. As at the Latest Practicable Date, our engineering team consisted of 61 personnel. Our executive Director, chief executive officer and Chairman, Mr. Cheung, has more than 30 years of experience in engineering service industry. For further information regarding the credentials of our management team, please refer to the section headed "Directors and senior management" in this prospectus.

During the Track Record Period, we had a total of 532 projects with revenue contribution to us. As at the Latest Practicable Date, we had 166 projects on hand with an aggregate of HK\$114.1 million yet to be recognised as revenue after the Latest Practicable Date. Further details of our projects on hand are set out in the paragraph headed "Our projects – Projects on hand" below in this section.

Depending on the scope of our services, we have from time to time engaged subconsultants of various professions, mainly including Registered Structural Engineers, Registered Geotechnical Engineers, Authorised Persons, environmental specialists, electrical and mechanical engineers, architects and surveyors, to provide technical advice on (i) our investigation and feasibility studies; and (ii) our infrastructure designs and plans. For FY2016, FY2017 and the three months ended 31 March 2018, we incurred subconsultancy fees of approximately HK\$10.1 million, HK\$14.4 million and HK\$2.7 million, representing approximately 23.9%, 28.3% and 22.4% of our total cost of services, respectively.

Our revenue represents income derived from consultancy fees for our services. Our cost of services mainly include salaries of our staff and subconsultancy fees.

According to the F&S Report, the demand for engineering consultancy services will continue to grow due to sustained investment in infrastructure developments. As such, our Directors believe that we will be exposed to more opportunities for our engineering consultancy services. With our in-house engineering team, experienced management team and past track record, our Directors believe that we are well-positioned to capture the

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growing demand for engineering consultancy services in Hong Kong. For details on the market drivers relating to our Group, please refer to the section headed “Industry overview” in this prospectus.

COMPETITIVE STRENGTHS

We believe that we have the following competitive strengths:

Established track record in various kinds of infrastructure developments with different scales in Hong Kong

Since our establishment in 2005, we have accumulated our expertise in different branches of engineering, covering (i) civil engineering mainly comprising road and structural engineering as well as geotechnical engineering; and (ii) traffic engineering. Our engineering consultancy services are widely required in various kinds of infrastructure developments. In respect of our civil engineering services, we have been the engineering consultant for a variety of infrastructure works mainly including roads, bridges, noise barriers, barrier-free access facilities, slope improvement, foundation works, drainage and riverwalls. In respect of our traffic engineering services, we have been involved in conducting traffic and transportation planning, traffic impact assessment studies, and temporary traffic management for our clients which are ancillary to the implementation of associated construction works. Our traffic engineering consultancy services are generally applied in proposed traffic diversions during various stages of associated construction works.

Since our establishment, our Group has been involved in a number of landmark projects, details of which are set forth below:

(I) Footbridge link to Mei Foo Bus Terminal in relation to comprehensive redevelopment of bus depot

We mainly provided consultancy on road and structural engineering, and geotechnical engineering in relation to footbridge link to Mei Foo Bus Terminal in relation to comprehensive redevelopment of bus depot, which was completed in June 2009.



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(II) Retrofitting of noise barriers on Tai Po Tai Wo Road

We mainly provided consultancy on road and structural engineering, geotechnical engineering and traffic engineering in relation to the retrofitting of noise barriers on Tai Po Tai Wo Road, which was completed in October 2010.



(III) Traffic improvements to Town Centre section of Tuen Mun Road

We mainly provided consultancy on road and structural engineering, geotechnical engineering and traffic engineering in relation to traffic improvements to Town Centre section of Tuen Mun Road, which was completed in July 2014.



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(IV) Improvement and extension of Kam Pok Road

We mainly provided consultancy on noise barrier design in relation to improvement and extension of Kam Pok Road, which was completed in September 2015.



(V) Infrastructure works for Tseung Kwan O Stage I Landfill Site

We mainly provided consultancy on road and structural engineering, geotechnical engineering, marine engineering, drainage engineering and traffic engineering in relation to infrastructure works for Tseung Kwan O Stage I Landfill Site, which was completed in January 2016.



During the Track Record Period, we had a total of 532 projects with revenue contribution to us. We have been involved in infrastructure development projects of different scale. Our Directors believe that our established track record has served as a recognition of our service quality and industry reputation in Hong Kong.

Diversified client base and long-term working relationships with some of our major clients and different Government authorities

Our Group has established a diversified client base among (i) construction contractors undertaking civil engineering and building engineering projects; (ii) different Government authorities; and (iii) other clients which mainly include public transportation corporation, property developers and architectural firms which need our

consultancy services on the engineering aspects of the projects. For each of FY2016, FY2017 and the three months ended 31 March 2018, the number of clients with revenue contribution to our Group was 139, 149 and 93, respectively.

We have established long-term working relationships with some of our major clients. As at the Latest Practicable Date, we have developed business relationship with some major construction contractors (including Client A, Client C, Client E and Client G, as referred to in the paragraph head “Our clients – Top clients” below in this section) ranging from nine to 11 years. Further, during the Track Record Period, we have been engaged to provide engineering consultancy services to various Government authorities responsible for the affairs of civil engineering works, housing, public road, transport and water supplies. Our Group was awarded with the first project from the Government authority responsible for public road affairs in 2007. Since then, we have also established business relationships with other Government authorities ranging from four to eight years.

According to the F&S Report, the demand for engineering consultancy services related to infrastructure works will continue to grow due to sustained investment in infrastructure developments. Given our past experience in Government projects, our Directors believe that we are well-positioned to capture the business opportunities brought by future infrastructure development in Hong Kong. Our Directors also believe that our stable and established working relationships with our clients increase our recognition and visibility in the engineering consultancy service industry in Hong Kong, and we can leverage on our existing relationship with these clients to further develop new business opportunities in the future.

Expertise in providing comprehensive engineering consultancy services to our clients

We are experienced in providing different aspects of engineering consultancy services which mainly comprise (i) conducting investigation and feasibility studies; (ii) conducting engineering designs and planning; (iii) construction supervision for civil engineering projects; (iv) assisting our clients in consulting and obtaining consents or approvals from relevant authorities for their projects; and (v) inspecting and certifying the construction works undertaken by our clients. Depending on our clients’ needs and requirements for their infrastructure works, we may be required to provide one or more aspects of the above engineering consultancy services in our projects.

It is our mission to provide quality engineering consultancy services to clients in assisting them to carry out their projects in a cost-effective and efficient manner. Our Directors believe that our ability to provide comprehensive engineering consultancy services facilitates the project implementation of our clients in the following manner: (i) we leverage on our technical expertise and experience to prepare, advise and provide recommendations on alternative engineering designs and/or traffic and transportation planning for our clients to enhance the cost-effectiveness of their project implementation; (ii) we ensure the infrastructure works undertaken by the construction contractors are in compliance with the prescribed engineering designs and applicable laws and regulations, taking into account the relevant technical requirements and site

constraints identified; (iii) we provide a comprehensive scope of engineering consultancy services which allow our clients to engage us at various stages of their projects, thereby achieving better communication between us and our clients and reducing our clients' costs and time in procuring different types of engineering consultancy services from multiple engineering consultants. From civil engineering projects to traffic engineering projects, our Group has demonstrated quality consultancy services to different local infrastructure works in various scales. With our accumulated expertise and experiences in several infrastructure development works since our establishment, our Group is able to provide technical and professional advice on the scope of infrastructure and project plan, which has fostered the overall efficiency and optimised the safety of each infrastructure works.

According to the F&S Report, there is a limited number of engineering consultancy firms which are able to provide comprehensive engineering consultancy services in Hong Kong. Therefore, our Directors believe that our ability to provide comprehensive engineering consultancy services gives us competitive edge in the industry.

Experienced management and professional team of engineering staff

Our executive Director, chief executive officer and Chairman, Mr. Cheung, has more than 30 years of experience in the engineering service industry. He is a Fellow in various professional engineering institutions including the HKIHT, the HKIE, the ICE, the IStructE and the CIHT. He possesses years of experience and knowledge in marketing, project management and technical aspects of the engineering industry in Hong Kong.

Our management is supported by our in-house engineering team, comprising Registered Professional Engineers, Chartered Engineers, members of various professional engineering institutions including HKIE, ICE, IStructE and CIHT, and other engineering staff, who possess practical skills and experience as required in handling our projects. As at the Latest Practicable Date, our engineering team consisted of 61 personnel. In addition, our executive Director, Mr. Ng Pak Hung and some of our senior management, including Mr. Shek Man Wah and Mr. So William, have worked with our Group for more than 10 years. Each of Mr. Ng, Mr. Shek and Mr. So has more than 20 years of experience in the engineering service industry. For further information regarding the background and experience of our Directors and senior management, please refer to the section headed "Directors and senior management" in this prospectus.

We believe that the expertise contributed by each member of our engineering team has been and will continue to be our valuable asset enabling us to take up projects of various scale and types and fulfil our clients' requirements.

BUSINESS STRATEGIES

The principal business objective of our Group is to further strengthen our position as an established engineering consultant in Hong Kong. We intend to achieve our business objective by expanding our scale of operation through our intended effort in (i) setting up a new team specialising in the field of building development; and (ii) actively seeking new business opportunities by undertaking additional civil engineering and traffic engineering consultancy projects from our existing and potential clients in infrastructure development.

Taking into consideration (i) our competitive strengths set out in the paragraph headed “Competitive strengths” above in this section; (ii) our established business relationship with some of our major clients and various Government authorities; (iii) our track record and expertise in providing comprehensive engineering consultancy services; and (iv) the forecasted growth of the engineering and related consultancy service market in Hong Kong as provided in the F&S Report, our Directors believe that our Group would be able to capture the potential business opportunities associated with the forecasted increase in demand for infrastructure and building development as discussed in the paragraphs below if we continue to increase our available resources.

In this connection, our key business strategies are as follows:

1. Setting up a new team specialising in the field of building development

During the Track Record Period, our Group mainly focused on the field of infrastructure development. Going forward, in view of the projected growth in demand for building development in Hong Kong and to enhance our competitiveness, we intend to set up a new team specialising in the field of building development.

(i) Increasing market demand for engineering and related consultancy services in building development

The market demand for engineering and related consultancy services in building development is primarily driven by the introduction of the mix of office, commercial and non-polluting industrial uses building and accelerated urban renewal in Hong Kong. According to the F&S Report, the market size of engineering consultancy services in building development in Hong Kong increased from HK\$2,448.6 million in 2012 to HK\$3,514.8 million in 2017, representing a CAGR of 7.5% and is projected to further increase to HK\$5,138.8 million in 2022, representing a CAGR of 8.0% from 2018 to 2022. With respect to the increasing market demand for engineering and related consultancy services in building development in Hong Kong, our Directors consider it is prudent for us to strengthen our market presence in this field.

Similar to infrastructure development, building development projects also require the expertise in engineering designs and planning as well as construction supervision during their implementations. Therefore, engineering design capability, know-how and skills are commonly applicable in the fields of both infrastructure development and building development. In comparison, building development

projects may involve more of the following aspects of engineering and related services, including (i) preparation of structural design for buildings; (ii) design of electrical and mechanical systems for buildings; (iii) architectural designs of buildings; (iv) environmental impact assessment. As we intend to explore business opportunities in the field of building development, it is expected that we would be more often required to provide the aforesaid services in our future projects.

A majority of our revenue during the Track Record Period was derived from projects awarded by construction contractors. Some of our clients, being major construction contractors (including Client A, Client C, Client E and Client G, as referred to in the paragraph head “Our clients – Top clients” below in this section) in Hong Kong, are engaged in both infrastructure and building developments, and we have established business relationships with them for a period ranging from nine to 11 years. As we set up a new team specialising in the field of building development, we believe we will be able to leverage on our established track record to promote our consultancy services in the field of building development to these clients. Therefore, our Directors consider that our plan to set up a new team with expertise in the field of building development will enable us to capture the growth in the building development in Hong Kong in coming years.

Our plan in promoting our services in the field of building development projects

At the preliminary stage of setting up our new team, we will mainly focus on obtaining building engineering projects from our existing clients by leveraging our established business relationships with them. In particular, we have from time to time received enquiries from some of our clients, namely construction contractors and property developers, regarding our interest and expertise for providing engineering consultancy in the field of building developments. During the Track Record Period, we have received such enquiries from a total of 12 clients through our daily communication with them. Under our current plan, once we have set up the new team specialising in the field of building development, we will inform these clients about the expansion in our service portfolio through (i) preparing and distributing updated promotional booklets and other marketing materials to them; and (ii) arranging visits to the clients’ office by our senior management team and marketing staff for introducing our services. Further, based on the F&S Report, it is not uncommon that construction contractors would engage the same consultants who have worked with them at the tender submission stage after they are awarded with the projects. As such, for those construction contractors who have established business relationships with us, we will take the initiative to provide certain preliminary advice to them on engineering and other related disciplines as they are preparing their tender submissions for any potential building development projects. Our Directors believe that this will enhance our prospects of being chosen as the engineering consultant of these construction contractors if they are subsequently awarded with such projects. Considering our planned recruitment of relevant personnel and track record established in our previous projects, our Directors are confident that our existing clients would be willing to invite us to tender for their building development projects in the future.

Simultaneously, we will further expand our target clientele by approaching other potential clients. We have currently identified a total of six potential clients, including four construction contractors and two property developers, as our primary targets. Leveraging our existing know-how accumulated from our past projects which could also be applied in building development projects (particularly those involving the fields of structural engineering and geotechnical engineering), we will contact such selected potential clients by proposing an introductory session with each of them to introduce our track record in providing engineering consultancy services for both infrastructure and building development projects. Besides, we will submit our corporate profile and detailed description of our key personnel in engineering and other related disciplines to these potential clients. Where applicable, we will also negotiate with the potential clients to fulfil any pre-qualification requirements or other assessments for being included in their internally approved list of engineering consultants, which, in turn, will increase our likelihood of receiving their invitations for tender for upcoming projects.

(ii) Enhancing our prospect of being the lead consultant in sizeable construction projects

Further, our Directors believe that the set up of a new team specialising in the field of building development will enhance our prospect in acting as the lead consultant in sizeable construction projects. The lead consultant in a project is primarily responsible for the overall planning, design, supervision and communication of the entire project, which covers both the engineering and architectural aspects of the construction works as well as the associated traffic and transportation planning. According to the F&S Report, it is increasingly common for project owners to engage a lead consultant in sizeable construction projects as it could: (i) streamline the selection and appointment process for engaging a single engineering consultant, as compared to that for engaging multiple consultants for different fields of works throughout the projects; and (ii) facilitate communication among different working parties because the lead consultant would take charge of the co-ordination and supervision of their work schedules. Going forward, it is expected that project owners would be more inclined to engage a lead consultant in sizeable construction projects.

The role of lead consultant generally requires an engineering consultant to possess expertise in handling different engineering and related aspects of the construction projects. During the Track Record Period, we had been engaged as the lead consultant in two major projects in which we were mainly responsible for providing consultancy on multiple engineering and related aspects including structural engineering, architectural, electrical and mechanical and environmental analysis works. These two projects were awarded to us by (i) Client F and Client G; and (ii) Client H, respectively. For further details on these two projects, please refer to the paragraph headed “Projects undertaken during the Track Record Period” in this section. Our Directors believe that the setup of our new team will further enable us to cater to our client’s requirements in different engineering and related aspects and enhance our prospect of being selected as the lead consultant in their construction projects.

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(iii) Establishment of a new team

We currently plan to establish a new team comprising the following types of personnel:

Types of personnel to be recruited	Number of staff	Major role and responsibilities	Required experience and qualifications
Registered Structural Engineers	2	Reviewing structural plans of buildings, performing structural inspection and handling statutory submission to Government authority.	Ten years of post-qualified experience
Registered Geotechnical Engineer	1	Reviewing geotechnical designs, performing geotechnical inspection and handling statutory submission to Government authority.	Ten years of post-qualified experience
Authorised Persons	2	Conducting architectural certification and handling statutory submission to Government authority.	Fifteen years of post-qualified experience
Architects	2	Conducting architectural design.	Five years of post-qualified experience
Draftsmen	3	Preparing technical drawings and schedule based on the design prepared by our engineering staff.	Obtained high diploma degree in engineering related discipline with five years of industry experience
Electrical and mechanical engineers	4	Conducting electrical and mechanical engineering designs.	Member of HKIE with five years of industry experience
Environmental specialists	2	Conducting environmental impact assessment and studies.	Member of HKIE with five years of industry experience
Building engineers	4	Preparing designs of building structures.	Member of HKIE with five years of industry experience

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Types of personnel to be recruited	Number of staff	Major role and responsibilities	Required experience and qualifications
Administrative staff	2	Handling the administrative affairs in relation to the establishment and operation of the new team.	Five years of administrative work experience

In determining the scale of our new team, our Directors have taken into account the following factors:

- as a prerequisite of our application for registration on the list of consultants maintained by the AACSB under band 2 of the structural engineering category, we must have a minimum of two qualified Registered Structural Engineers. As such, we currently plan to recruit two Registered Structural Engineers for (i) handling the statutory submission in relation to both our infrastructure and building engineering consultancy projects; and (ii) fulfilling the minimum requirement for our registration with the AACSB;
- based on our daily communication with our clients and recent tender invitations received for potential building engineering consultancy projects, we are generally encouraged to include in our tenders the credentials and qualifications of our in-house personnel who will be the key members in charge of the project, namely Registered Structural Engineers, Registered Geotechnical Engineers and Authorised Persons. Therefore, we believe that the qualifications and experience of such personnel will be considered by our clients when evaluating our ability to carry out their projects. In order to increase our prospects of securing building engineering consultancy projects, it is crucial for our Group to employ sufficient personnel who possess relevant qualifications so as to demonstrate our in-house capacity in overseeing the projects;
- in deciding the number of personnel to be recruited, our Directors have also considered (i) the workload arising from the building engineering consultancy projects to be obtained; and (ii) the amount of works involved in our infrastructure engineering projects which required our subconsultants possessing the relevant qualifications to carry out during the Track Record Period; and
- our Directors are of the view that the scale of our recruitment is in line with the current size of our operations. For instance, the recruitment of (i) four electrical and mechanical engineers and four building engineers; and (ii) three draftsmen, represents an expansion of only approximately 13.1% and 16.7% in our engineering team and drafting team, respectively, in terms of our number of staff as at the Latest Practicable Date.

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We presently intend to recruit the aforesaid personnel mainly through engaging a recruitment agency which has experience in the engineering and related services industry. Based on our preliminary enquiries with the recruitment agency, we do not foresee any material difficulties in recruiting the personnel who possess relevant experience and qualifications as set out above. Having considered i) the prevailing conditions in the labour market of the engineering and related fields; ii) our established track record in engineering consultancy; and iii) our long-term working relationships with some of the major industry players and Government authorities, we expect that we would be able to identify, select and employ the appropriate individuals within one to three months after we commence the recruitment process.

Reduction in our subconsultancy fees

During the Track Record Period, we had from time to time been required to conduct (i) statutory submission to relevant authorities on behalf of our clients; (ii) design of electrical and mechanical systems; (iii) architectural designs; and (iv) environmental impact assessment in our infrastructure engineering projects. In such case, we had engaged subconsultants possessing the relevant qualifications and expertise including Registered Structural Engineers, Registered Geotechnical Engineers, architects, electrical and mechanical engineers and environmental specialists to provide technical support to us on the above work tasks.

Our Directors consider that the setup of the new team comprising the professional personnel mentioned above will not only facilitate our expansion into the field of building development, but will also allow us to perform the above work tasks with our own staff, which will in turn lower our needs for subconsultancy services and the associated costs incurred therefrom. Given a mark-up of approximately 20% to 30% was generally factored in the subconsultancy fees charged by our subconsultants during the Track Record Period depending on their expertise and experience, our Directors believe that our Group will be able to achieve a higher profitability by reducing our needs for subconsultancy services. Therefore, it is our current plan that in case we are unable to secure sufficient building development projects, resulting in the new team not substantially utilised at the initial stage of its establishment, the relevant professional personnel including Registered Structural Engineers, Registered Geotechnical Engineers, Authorised Persons, environmental specialists, architects, draftsmen and electrical and mechanical engineers will be assigned to assist in our infrastructure engineering projects.

For FY2016, FY2017 and the three months ended 31 March 2018, our subconsultancy fees attributable to those types of personnel planned to be recruited by us and who could have assisted us in our infrastructure engineering projects amounted to approximately HK\$5.0 million, HK\$5.8 million and HK\$1.4 million, respectively. With reference to (i) the type and number of personnel to be recruited under our new team as well as their expected salaries; (ii) the timing of implementing our recruitment plan; and (iii) our past engagements with the relevant types of subconsultants, our Directors estimated that our subconsultancy fees

incurred would have been reduced by approximately HK\$1.1 million (or equivalent to 22.0%), HK\$1.6 million (or equivalent to 27.6%) and HK\$0.3 million (or equivalent to 21.4%) for FY2016, FY2017 and the three months ended 31 March 2018, respectively, if the relevant works in our infrastructure engineering projects had been performed by our own staff to be hired.

(iv) Commercial rationale for establishing a new team

Our Directors are of the view that it is currently the suitable time for our Group to diversify our services into the field of building development, while maintaining our strategic focus on infrastructure development due to the following reasons:

- Our engineering design capability and know-how are commonly applicable in both infrastructure and building development projects in Hong Kong. Our Directors believe that part of our core strengths are attributable to our expertise in providing comprehensive engineering consultancy services to our clients (as further discussed in the paragraph headed “Competitive strengths” above in this section), which, in turn, enable us to provide recommendations on engineering designs for our clients to enhance the cost-effectiveness of their projects. In those civil engineering projects undertaken by us, we have generally been involved in providing consultancy in the fields of structural and geotechnical engineering. We consider that our know-how and expertise in these aspects are also applicable to building development projects. For instance, we have been engaged to provide engineering consultancy in both the design and construction stages of the development at the Hong Kong Football Training Centre Phase 1 in Tseung Kwan O during the Track Record Period. In such projects, we have assisted our clients in preparing the structural engineering design of the central building and other supporting facilities at the Training Centre (as discussed in the paragraph headed “Projects undertaken during the Track Record Period” below in this section). Our experience in assisting our clients in preparing the structural engineering design of building structures is conducive to our ability to perform similar works in building development projects in the future. In addition, during the Track Record Period, we have from time to time assisted our clients in preparing the design of foundations and excavation lateral support works for various infrastructure developments. In general, similar geotechnical engineering services are also required in building development projects involving different types of building structures. To conclude, our engineering know-how in structural engineering and geotechnical engineering is transferrable to our building development projects in the future. In view of the aforesaid, our Directors believe that our Group could distinguish itself from other new entrants to building engineering consultancy market by leveraging our existing know-how accumulated from our past projects which could also be applied in building development projects (particularly those involving the fields of

structural engineering and geotechnical engineering). As such, our Directors are of the view that our diversification into the field of building engineering represents an advancement in our business development based upon our existing technical knowledge and experience, rather than a shift in our business focus.

- Our expansion into the field of building development would allow us to develop an additional source of business growth in the private sector, thereby reducing our reliance on projects awarded by the Government directly or through their main contractors. During the Track Record Period, a significant portion of our revenue was derived from Government-related projects given that a large majority of infrastructure developments in Hong Kong have been funded by the Government. Therefore, our future business growth from infrastructure engineering projects is largely attributable to the Government's policies and expenditure on infrastructure developments. In contrast, a substantial portion of building developments in Hong Kong in relation to residential, commercial and industrial buildings are initiated by property developers in the private sector. According to the F&S Report, the market size of engineering consultancy services in building development and infrastructure development in Hong Kong are forecasted to grow at a CAGR of 8.0% and 7.2%, respectively, from 2018 to 2022. Having considered that expected growth rate in the building engineering consultancy market is comparable with that in the infrastructure engineering consultancy market, our Directors are of the view that the setup of a new team will assist us to explore and capture further business opportunities in the private sector, while maintaining our established presence in Government-related infrastructure projects, which will further diversify our business risk.
- Based on our Directors' industry experience, at the tender stage of the building engineering consultancy project, construction contractors and property developers will generally request the potential engineering consultants to submit their corporate profile as well as the qualifications and credentials of their key personnel in order to assess their in-house capacity to carry out the works in the project. Given the selected engineering consultant is responsible for the overall design and supervision of the entire building development, the clients generally expect that the engineering consultant will possess sufficient qualified in-house staff (e.g. Registered Structural Engineers, Registered Geotechnical, Authorised Persons and other professionals in the related fields including architecture, environmental studies, electrical and mechanical engineering and building engineering) to take a leading and substantial role in the overall project management and implementation, rather than outsource the major parts of the works to other subconsultants. Therefore, our Directors consider that the setup of our new team will enhance our in-house capacity and our competitiveness in the building engineering consultancy market.

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- The setup of a new team will improve the price competitiveness of our tenders for building engineering consultancy projects. Without the relevant qualified in-house staff, we will have to outsource the major parts of our works in building engineering consultancy projects to our subconsultants. In such circumstances, we will have to take into account the service fees charged by the subconsultants (which would have factored in their own mark-up) in our cost estimation in addition to our own mark-up. In the event that a substantial amount of work is to be outsourced to our subconsultants, our Directors consider that our tender price may become less competitive as compared with other engineering consultants who possess their own in-house staff to carry out the relevant works. In light of the estimated decrease in our subconsultancy fees after the set-up of a new team for building development projects as explained above, our Directors consider that we will be able to tender for building engineering consultancy projects with more competitive pricing, which, in turn, will enhance our prospect of being awarded with new projects in this field.
- The planned recruitment of professionals with expertise in other engineering-related disciplines will further increase our overall competitiveness in the infrastructure engineering consultancy market in Hong Kong. Based on information publicly available, it is noted that a number of the top industry players in infrastructure engineering consultancy market possess not only engineering design capability, but also expertise in other related disciplines such as architecture, electrical and mechanical design as well as environmental assessment works. As explained above, while the new team will primarily focus in undertaking building development projects, the relevant professionals in the team could also provide technical support to our infrastructure projects according to their respective expertise, where applicable. In view of the aforesaid, our Directors consider that our plan to develop our in-house capability in other engineering-related disciplines would be complementary to our existing services for infrastructure engineering, and further strengthen our position as a comprehensive engineering consultancy service provider.
- Our Directors also expect that our recruitment plan will likely increase the number of invitations to be received by us from various Government authorities under the jurisdiction of the EACSB. Mannings has been one of the engineering consultants on the Consultants' Services Directory maintained by the EACSB, which set out the expertise and firm's staff resources for each disciplinary of those members included therein. Currently, the engineering staff of Mannings are mainly specialised in the aspects of civil engineering, structural engineering, geotechnical engineering and traffic engineering. As such, the invitations we received from the Governments during the Track Record Period were mainly related to projects involving these fields of engineering works. As we implement our recruitment plan, the increase

in the number of our staff with expertise in the fields of electrical and mechanical engineering and environmental studies will be reflected in the Consultants' Services Directory following our regular updates with the EACSB, and hence we expect that we would receive more invitations from the Government for projects related to these aspects in the future.

- As explained above, the appointment of a lead consultant is increasingly common in sizeable construction projects as the projects owners intend to achieve a more streamlined work process and better coordination among the various working parties in the projects. The works performed by a lead consultant typically involve different engineering and related aspects of the construction projects. While we have undertaken two projects as lead consultant during the Track Record Period, our Directors consider that we will have better prospect in securing lead consultant engagements in more sizeable projects if we develop greater in-house capacity in other engineering-related disciplines. In particular, in relation to the above two projects, the majority of our works were related to the field of structural engineering, while the work tasks related to other disciplines were involved only to a lesser extent. If we intend to compete for lead consultant engagement in more sizeable projects, it is expected that more substantial parts of our services would require expertise in other related disciplines. In such circumstances, the projects owners are likely to require us to demonstrate that we have sufficient in-house capability in such areas as they assess and review our tender submissions. In view of the above, our Directors believe that the setup of a new team with expertise in architectural, electrical and mechanical engineering, and environmental analysis works will enhance our prospect in being the lead consultant in sizeable construction projects in the future.

Recent tender invitations received for building engineering consultancy projects

As we formulate our business strategy to set up a new team specialising in the field of building development to expand our business, our executive Directors have discussed with various industry players about our upcoming plan to diversify our service portfolio and indicated our interest in participating in tendering for their building engineering consultancy projects in the foreseeable future. As at the Latest Practicable Date, our Group has received a number of tender invitations from various construction contractors and property developers in relation to building engineering consultancy projects. Set out below are the details of the building development projects for which we have received invitations to tender and the tender status as at the Latest Practicable Date:

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Project no.	Client	Nature of services	Major types of qualified personnel involved	Expected contract period	Estimated contract sum <i>HK\$'000</i>	Tender status
1.	Client E <i>(Note 1)</i>	Building engineering consultancy for a mixed residential and commercial building development in Sham Shui Po, Hong Kong	Registered Structural Engineers and Registered Geotechnical Engineers	Approximately 2.5 years	2,000	Tender submitted, the result of which is expected to be available in November 2018
2.	Construction contractor A	Building engineering consultancy for the demolition of an existing building and redevelopment into a commercial building in Sheung Wan, Hong Kong	Authorised Persons, Registered Structural Engineers and Registered Geotechnical Engineers	Approximately 5 years	19,000	Tender submitted, the result of which is expected to be available in October 2018
3.	Property developer A <i>(Note 2)</i>	Building engineering consultancy for a hotel redevelopment in Wanchai, Hong Kong	Authorised Persons, Registered Structural Engineers and Registered Geotechnical Engineers	Approximately 4 years	3,500	Tender submitted, tender interview has been tentatively scheduled in October 2018 and result is still pending
4.	Property developer A <i>(Note 2)</i>	Building engineering consultancy for a private residential development in Kai Tak, Hong Kong	Authorised Persons, Registered Structural Engineers and Registered Geotechnical Engineers	Approximately 4 years	33,000	Tender submitted, tender interview has been tentatively scheduled in October 2018 and result is still pending
5.	Construction contractor B	Building engineering consultancy for excavation lateral support works, site formation and foundation works for a proposed commercial development in Yuen Long, Hong Kong	Registered Structural Engineers, Registered Geotechnical Engineers and architects	Approximately 9 months	1,140	Tender submitted and result is still pending
6.	Construction contractor C	Building engineering consultancy for structural design and foundation works for a proposed concrete batching facility at the Hong Kong International Airport	Registered Structural Engineers, Registered Geotechnical Engineers and Authorised Persons	Approximately 9 months	650	Tender submitted and result is still pending
7.	Construction contractor D <i>(Note 3)</i>	Building engineering consultancy for a proposed village house development in Yuen Long, Hong Kong	Registered Structural Engineers, Registered Geotechnical Engineers and Authorised Persons	Approximately 1 year	1,700	Awarded
8.	Construction contractor D <i>(Note 3)</i>	Building development consultancy in Demarcation District No.51, North, New Territories	Registered Structural Engineers, Registered Geotechnical Engineers and Authorised Persons	Approximately 1-2 years	4,400	Tender submitted, the result of which is expected to be available in the fourth quarter of 2018

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Project no.	Client	Nature of services	Major types of qualified personnel involved	Expected contract period	Estimated contract sum <i>HK\$'000</i>	Tender status
9.	Property developer B	Building engineering consultancy for cinema houses in Kwai Chung, Hong Kong	Registered Structural Engineers and Authorised Persons	Approximately 6 months	2,380	Awarded

Notes:

1. This is one of our top five clients during the Track Record Period and for further information, please refer to the paragraph headed “Clients – Top clients” in this section.
2. Property developer A was one of our clients before the Track Record Period.
3. One of the shareholders and directors of construction contractor D is also a director of one of our existing clients during the Track Record Period.

In preparing our tenders for the above projects, we have made our cost estimation mainly on the basis that those works related to structural and geotechnical engineering works would be carried out by our own staff, whereas the remaining works involving other engineering and related aspects would be outsourced to our subconsultants who possess the relevant qualifications and expertise. Therefore, our tender price may not be as competitive as other engineering consulting firms which have their own in-house staff to provide the relevant consultancy services.

Based on the invitations received by us up to the Latest Practicable Date, our Directors consider that (i) we are able to leverage on our existing engineering know-how, business connections and our industry reputation to actively promote our Group in the field of building engineering consultancy service; and (ii) there are substantial business needs for us to recruit the relevant professionals required in building development projects in order to increase our competitiveness in the tendering process of such projects.

As at the Latest Practicable Date, our Group was awarded with two of the aforesaid building engineering consultancy projects, namely Project Nos. 7 and 9. There is no guarantee our Group will be awarded with the remaining seven projects for which we have submitted tenders and the results of which are still pending. Nevertheless, our Directors are positive about our likelihood of obtaining the remaining seven projects, having considered that (i) some of the tender invitations were provided to us from the clients or their related parties whom we had worked with in our previous engagements. Our Directors believe that these clients or their related parties are satisfied with the quality of our services in the past, and hence they are interested in providing us the opportunities to cooperate with them again in the field of building engineering consultancy services by inviting us to tender for their projects; and (ii) we were shortlisted by the clients in two of the potential projects for further selection, and the relevant tender interviews for these two projects were both scheduled in October 2018.

Going forward, our Directors foresee that the revenue contribution from building development projects to our Group will increase as we build up more of our track record in such field.

2. Strengthening our in-house team of professional staff to increase our service capacity

Our Directors consider that our ability to maintain and expand our in-house team of engineering staff equipped with appropriate knowledge, experience and profession to provide comprehensive engineering consultancy services is crucial to our continual success. As such, we intend to strengthen our in-house team of professional staff in order to increase our capacity to provide comprehensive engineering consultancy services.

According to the F&S Report, the capital works reserve fund for infrastructure development in Hong Kong increased from HK\$66.5 billion in 2012 to HK\$87.5 billion in 2016, with a CAGR of 7.1%. As announced in the 2017-18 Budget, the capital expenditure for infrastructure development in Hong Kong is estimated to reach HK\$107.2 billion for 2017 to 2018. The sustained investment in infrastructure is expected to continue to boost the demand for civil engineering and traffic engineering consultancy services.

According to the F&S Report, the estimated revenue of infrastructure engineering consultancy market in Hong Kong increased from HK\$2,025.3 million in 2012 to HK\$2,908.8 million in 2017, representing a CAGR of 7.5%, primarily due to the infrastructure developments associated with accelerated urban renewal and rising housing supply and increasingly stringent engineering requirements. The revenue of infrastructure engineering consultancy in Hong Kong is forecasted to reach HK\$4,112.4 million in 2022, at a CAGR of 7.2% from 2018 to 2022. For further details, please refer to the paragraph headed “Industry overview – Market size of infrastructure engineering consultancy market in Hong Kong” in this prospectus.

Our Directors are of the view that it is necessary to increase our capacity by further strengthening our team of engineering staff in order to undertake additional engineering consultancy projects and to capture the potential business opportunities associated with the forecasted increase in infrastructure development as abovementioned. In this regard, our Directors intend to employ a total of (i) one project manager who is Chartered Engineer and/or Registered Professional Engineer; (ii) four project engineers who possess three to eight years of industry experience; (iii) one draftsman who possesses at least five years of industry experience; (iv) one administrative staff; and (v) one marketing staff.

Upon being awarded with a project, we usually form a project management team which consists of project managers who are generally Chartered Engineer and/or Registered Professional Engineer, project engineers and draftsmen. Our project management team plays an essential role in monitoring the progress and performance

of our projects. For further details on our project management team, please refer to the paragraph headed “Business operations – Formation of project management team” in this section.

As at the Latest Practicable Date, we had a total of 13 project managers, 54 project engineers and 18 draftsmen. In light of our existing human resources, our Directors consider that our current service capacity may not be sufficient to meet the manpower needs associated with the increase in number of engineering consultancy projects which we plan to undertake. As a result, if we undertake a large number of projects at the same time, our existing project management staff may not be able to devote sufficient time and attention to properly supervise and manage the works undertaken by us and our subconsultants. By recruiting additional project management staff as aforementioned, our Directors believe that we would have additional capacity to undertake more projects simultaneously while maintaining our project management efficiency and service quality.

Under our current plan, the newly recruited project manager, project engineers and draftsman are mainly expected to participate in our infrastructure engineering projects. When we have been awarded with any building development projects, where necessary, we may also assign these new staff to provide assistance on (i) preparation of structural and geotechnical engineering designs; and (ii) conducting construction supervision for the building works.

Having considered the aforesaid, in particular, (i) the estimated growth in infrastructure engineering consultancy market in Hong Kong from 2018 to 2022; and (ii) the limitation in our existing service capacity in meeting the manpower needs for our future business growth, our Directors currently plan to expand our professional team in order to capture the future opportunities and to achieve better work allocation among our staff and to plan for their work schedule more flexibly.

Based on our recruitment plan, we presently intend to recruit a project engineer and a draftsman in the second half of FY2018, and the remaining new professional staff will be recruited in the year ending 31 December 2019. As such, our Directors expected that the expansion in our service capacity for infrastructure engineering projects could only be fully reflected in the year of 2019.

3. Application for registration with the AACSB list of consultants

Our Directors intend to apply for registration on the list of consultants maintained by the AACSB under the structural engineering category. The AACSB is under the Architectural Services Department which is mainly responsible for the development of public facilities which are owned or funded by the Government such as Government offices, hospitals, museums and recreational facilities, etc. Under the regulatory regime of the Architectural Services Department, only those consultancy firms which are in the appropriate categories of the list of consultants maintained by the AACSB will be eligible to undertake consultancies in Government projects under the responsibility of AACSB.

During the Track Record Period and up to the Latest Practicable Date, Mannings was one of the engineering consultants on the Consultants' Services Directory maintained by the EACSB under the Civil Engineering and Development Department which is mainly responsible for carrying out Government-funded infrastructure development in Hong Kong. The EACSB's jurisdiction covers, among others, consultancies in structural engineering for various Government authorities but excluding those structural engineering consultancies under the Architectural Services Department. Therefore, our Group is currently not entitled to tender for consultancies in Government projects from the Architectural Services Department.

In view of the aforesaid, our Directors consider that our registration with the AACSB under the structural engineering category would expose our Group to more opportunities in tendering for Government projects from the Architectural Services Department involving structural engineering and strengthen our future business prospect.

Based on the F&S Report, public facilities development are expected to be a major source of Government projects in the coming years, and some of these Government projects would require consultancy services under the structural engineering category. Therefore, we consider that it is essential for our Group to be registered on the list of consultants maintained by AACSB under the structural engineering category so that we would be qualified to tender for such Government projects under the Architectural Services Department. Further, according to the F&S Report, construction contractors and property developers would generally make reference to the list of consultants maintained by AACSB in selecting appropriate consultant for different kinds of engineering consultancy. Therefore, our planned registration with the AACSB is expected to reinforce our industry reputation and enhance our prospect of being engaged in projects by construction contractors and property developers.

To be registered on the list of consultants maintained by the AACSB, an applicant shall fulfil certain general entry requirements in terms of (i) track record; (ii) scale of manpower and sufficiency of personnel with relevant skills, qualification and experience; (iii) management certification (e.g. ISO 9001:2008); and (iv) size of the company. The applicant shall also achieve specific standards and requirements for its projects completed in the past. For further details, please refer to the paragraph headed "Regulatory Overview – Guidelines of the AACSB".

In this regard, we intend to apply for registration on the list of consultants maintained by the AACSB under band 2 of the structural engineering category. In order to be registered under band 2 of the structural engineering category, a company must maintain a minimum of two qualified engineers who must also be a Registered Structural Engineer which can be fulfilled by the two Registered Structural Engineering to be recruited by our Group in establishing a new team specialised in the field of building development as mentioned above. We currently plan to apply for registration on the list of consultants maintained by the AACSB once the aforesaid personnel requirements are fulfilled upon the implementation of our recruitment plan as mentioned above.

As advised by the Hong Kong Legal Counsel, once Mannings has recruited and employed the aforesaid qualified personnel, it can be regarded as having fulfilled the general entry requirements for the registration with the AACSB under band 2 of the structural engineering category. With reference to the timing of our planned recruitment of Registered Structural Engineers, our Directors anticipate that we will apply for the registration with the AACSB under the structural engineering category by the end of 2019.

4. Leasing additional office space to accommodate our expansion

As at the Latest Practicable Date, our Group leases certain office premises at a commercial building as our headquarters and office. For details, please refer to the paragraph headed “Properties” below in this section. In light of our planned expansion of our manpower, our Directors consider that we have the business needs to lease additional office space in close proximity to our headquarters with a total gross floor area of approximately 3,400 sq. ft. to support our business operations. Currently, our ability in making additional recruitment is limited by the vacant spaces available at our current office premises. Therefore, the leasing of additional office spaces will provide our existing and future employees with adequate spaces in their work environment. Further, we also intend to reserve part of the additional office space for setting up a conference room for convening our meetings with potential and existing clients in the future.

5. Upgrading our information technology system to enhance our engineering design capability

In addition to our in-house professional team, our capability to develop different types of engineering designs also depends on the performance of our information technology system. Our Directors believe that continued investment in our information technology system is necessary in order to enhance our engineering design capability as we generally carry out our engineering design and plans aided by computers with specialised software. Therefore, we intend to (i) upgrade the existing computer hardware and design software of our Group to enhance their design features; (ii) provide our additional staff to be recruited with computers equipped with appropriate software and tools for performing their work tasks; and (iii) install a new enterprise resource planning (“ERP”) system which is expected to improve our management efficiency and minimise the occurrence of errors in data processing. Our Directors believe that the aforesaid upgrade and installation of a new ERP system will enable us to cope with our business development and increase our overall efficiency and capacity in engineering design.

6. Acquisition of additional motor vehicles to accommodate our transportation needs

In light of our plan to make additional staff recruitment, our Directors consider that there is business needs for us to acquire additional motor vehicles to accommodate the transportation needs of our new team members. In providing engineering consultancy services to our clients, we have from time to time carried out construction

supervision by sending our personnel to the project sites to monitor the works and provide advice to ensure the construction works are undertaken in conformity with our engineering and technical designs. Besides, it is our general practice to conduct site visits to have better assessment of the project requirements when we prepare our fee proposals for such project. As at the Latest Practicable Date, our Group owned three motor vehicles, among which two had been fully depreciated and one had a remaining useful life of approximately three years. During the Track Record Period, it has been our practice to transport our employees to various project sites for carrying out construction supervision and site visits with our own motor vehicles depending on their availability. Due to the limited capacity of our motor vehicles, some of employees would have to visit the project sites by public transportation, which incur additional travelling time as compared to using our own transportation. In addition, the locations of certain project sites are remote and may not be accessible by public transportation. Based on the current capacity of our motor vehicles, our Directors consider that all new employees recruited by our Group under our expansion plan would have to visit our project sites by public transportation which is not efficient in terms of the travelling time required.

Taking into account the projected increase in the number of site visits required for our additional projects, our Directors consider that the acquisition of additional vehicles would enable us to achieve greater flexibility in the deployment and transportation of our staff to different worksites to carry out their designated works. Further, as we intend to enhance our marketing activities, we expect that the additional vehicles could also be used for facilitating our senior management team and marketing staff to conduct visits to the offices of our existing and potential clients in promoting our business.

7. Increasing our marketing effort

During the Track Record Period, our Group secured new businesses mainly through direct invitations for tender by clients. Our Directors consider that we can broaden our client base and attract more invitations from potential clients by increasing our marketing efforts to promote our brand awareness and market presence in the engineering consultancy service industry in Hong Kong.

Our planned marketing efforts include (i) placing advertisements in industry publications; (ii) sponsoring industry-related seminars and charity functions which gives us exposure in the engineering industry; and (iii) sending promotional booklets and other promotional materials for advertising our services.

Funding needs for implementing our business strategies

Our available cash resources and current monthly expenses

As at the Latest Practicable Date, our cash and bank balances, which represents our immediately available working capital, amounted to approximately HK\$21.7 million. Our Directors consider that the amount of our cash and bank balances fluctuate from time to

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time, depending on the timing of (i) payment from our clients; and (ii) payment to our staff and consultants. Therefore, the amount of our cash and bank balances as at a particular date may not fully reflect our general liquidity position.

In some of our projects, our services fees are chargeable by a fixed amount divided into various portions by stages based on the achievement of payment milestones set out in the contracts. For further details, please refer to the paragraph headed “Our clients – Principal terms of engagement” below in this section. Once these projects commence, we have to assign our in-house staff and engage subconsultants to carry out our work tasks under the projects. As such, there are circumstances where we have to incur staff costs and subconsultancy fees for certain period of time before the relevant payment milestone is reached, and hence we would be required to finance our payment obligations by using our existing internal resources throughout such period. Going forward, as our Group intends to undertake additional and/or sizeable projects, we expect that we will experience greater working capital needs in financing the implementation of our projects.

Our Group had reserved (i) a sum of approximately HK\$2.7 million for payments of our profit tax liabilities of FY2017, which is expected to be settled during FY2018; and (ii) a sum of approximately HK\$9.1 million for monthly salary of resident site staff, which is expected to be settled at the end of August 2018. Having considered the aforesaid and without taking into account (i) the amount reserved for tax payment; and (ii) other transactions that took place after the Latest Practicable Date, our cash resources available as at the Latest Practicable Date would amount to approximately HK\$9.9 million.

Based on the scale of our operations and the costs incurred by us during the Track Record Period, our Directors estimate that currently we have to incur an average monthly expense of approximately HK\$15.2 million, primarily comprising our staff cost, salaries for resident site staff, subconsultancy fees and other administrative expenses for our daily operations.

Increase in our monthly expenses following our business expansion

We currently plan to carry out our expansion mainly by (i) setting up a new team specialising in the field of building development and strengthening our in-house team of professional staff to increase our service capacity, for which our number of staff in engineering and other related disciplines will increase by 26 or 32.1%; and (ii) leasing additional office space to accommodate our expansion, for which our leased office premises in terms of gross floor area will enlarge by 3,400 sq.ft. or 70.2%. Going forward, we also expect to receive invitations to tender for Government projects from the Architectural Services Department (“ASD”) upon our registration with the AACSB under the structural engineering category. Similar to the requirements of other Government authorities, ASD often requires the engineering consultants to employ resident site staff in its projects. Besides, as the Government authorities generally assess the eligibility of engineering consultants based on the knowledge, experience and capability of their workforce pursuant to the guidelines of the EACSB, our Directors are of the view that our recruitment plan will likely lead to an increase in the number of invitations received, and our tender success rate for Government projects. In this regard, our Directors estimate that the number of resident site staff to be recruited by our Group will increase by approximately 73.0% for our

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on-going projects and the additional Government projects that we expect to obtain. Following the completion of our expansion plans, it is estimated that our average monthly expenses will increase by approximately HK\$8.4 million, comprising (i) HK\$1.7 million as monthly salaries for the additional staff in the engineering and other related disciplines; (ii) HK\$0.2 million as administrative expense mainly related to the leasing of additional office premises; and (iii) HK\$6.5 million as monthly salaries for resident site staff required in our on-going projects and additional Government projects that we expect to obtain as discussed above.

Based on the above analysis, our Directors estimate that our Group will have to incur an average monthly expenses of approximately HK\$23.6 million upon the completion of our business expansion. Therefore, our current cash resources available of approximately HK\$9.9 million is not sufficient to meet our expected monthly expenses after our expansion plan. Therefore, our Directors consider that we will need to raise additional funding through the Share Offer to facilitate the implementation of our future plans, while maintaining sufficient working capital for our business operations.

Our needs to maintain a sufficient level of available cash to meet the liquidity requirements

Having considered our future business expansion, our Directors are of the view that it is crucial for us to maintain a level of immediately available cash that is not materially different from, or preferably higher than the amount of our monthly expenses and current liabilities at any point in time, taking into account the following considerations:

- (i) at the early stage of our expansion into the field of building development, it may take a relatively longer period for our clients to review our performance. Further, we expect that our clients will pay us by way of progress payment based on achievement of payment milestones in building development projects. In view of the aforesaid, our Directors consider that our working capital requirements will become greater as it may take longer for our clients to assess our performance and approve our payments when we expand into the field of building development;
- (ii) we have to settle the monthly salary payments to our resident site staff before we receive the corresponding amount from the Government as reimbursement. Although we are entitled to be reimbursed by the Government for our actual expenditure paid to our resident site staff, there is generally a time lag of approximately 30 days between (i) our salary payment to the resident site staff; and (ii) our receipt of reimbursement from the Government. As the number of our resident site staff and our salary payments to them are expected to increase, this will further increase the pressure on our liquidity in light of the aforesaid time lag in our payments in relation to resident site staff; and
- (iii) as discussed above, we intend to enhance our competitiveness for lead consultant engagements in sizeable construction projects. In general, we have to pay the up-front costs such as staff cost and subconsultancy fees for carrying out our work tasks before we receive payments from our clients, who normally make payments to us after we have fulfilled the payment milestones set out in the

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contracts. Our cash flow requirements at the initial stage of projects would impose a constraint on the number of large-scale projects that we could undertake under our available resources. For reference, based on the two projects that we have undertaken as lead consultant during the Track Record Period, the average up-front costs at the early stages amounted to approximately HK\$2.9 million, and the average ratio of up-front costs for the early stages of project implementation to the total contract sum is approximately 24.8%. Given the up-front costs required for our lead consultancy engagements, our Directors believe that it is necessary to reserve sufficient cash resources to satisfy the working capital requirements for such projects in the future.

For FY2016, FY2017 and the period from 1 January 2018 up to the Latest Practicable Date, our Group maintained an average cash and bank balances of HK\$11.7 million. Given that our average monthly expenses during the Track Record Period amounted to approximately HK\$15.2 million, our Directors consider that our average cash and bank balances is unable to fully meet the said average monthly expense, and hence we have to rely on the cash flows generated from our operating activities from time to time to meet our payment obligations. Nevertheless, as discussed above, our business operation may be susceptible to the risk of possible cash flow mismatch due to (i) the increase in our working capital requirements in light of our expansion into the field of building developments; (ii) time lags in making salary payment to resident site staff and receiving the corresponding reimbursement from the Government; and (iii) the up-front costs required for lead consultancy engagements. Therefore, there is no assurance that we can generate sufficient cash flows from our operating activities on a timely basis to meet our monthly expenses. After our expansion, our monthly expenses are expected to increase by HK\$8.4 million, representing an increase of approximately 55.3%, which will increase our liquidity requirements accordingly. Based on the aforesaid, our Directors consider that it is crucial for our Group to maintain sufficient amount of immediately available cash resources for meeting our liquidity needs especially in case of unforeseen circumstances such as clients' delay or default on payments, significant cost overruns in our projects, potential professional indemnity liabilities, increase in salaries and wages of our staff and potential litigation and claims. Please refer to the section headed "Risk factors" for the key risks relating to our business.

Our application for a new banking facility as a back-up source of funding

While we are in the course of applying for a new banking facility of approximately HK\$20.0 million, we expect that such facility will mainly be used for providing a back-up source of funding in supporting our daily operations to enable us to preserve an adequate level of internal cash resources for meeting our various liquidity needs from time to time.

In particular, our Directors expect that we will utilise the banking facility when our cash resources available is not sufficient to meet our monthly expenses in the future, and the bank loans drawn by us will be used for settling our monthly expenses in order to preserve our internal cash resources. As mentioned above, given that our current cash resources available is not sufficient to meet our expected average monthly expenses after our business

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expansion and the cost of maintaining such banking facility is expected to be minimal, our Directors consider that such a back-up source of funding is necessary to enhance our financial position.

Based on our negotiation with the bank, the new banking facility will comprise an overdraft facility and/or a short-term revolving loan. The overdraft facility carries an interest rate of prime rate of the relevant bank less 0.5% per annum whereas the short-term revolving loan carries an interest rate at HIBOR (Hong Kong Interbank Offered Rate) plus 2.5% per annum. The banking facility is required to be secured by (i) personal guarantees from our executive Directors which shall be replaced by a corporate guarantee to be provided by our Company upon Listing; and (ii) properties with market value of not less than HK\$40 million. As at the Latest Practicable Date, the terms of the banking facility are subject to further negotiation between us and the bank, and hence there is no guarantee that the final terms offered by the bank for the facility would be commercially acceptable to us.

Up to the Latest Practicable Date, the bank did not indicate any specific covenants in relation to the aforesaid banking facility, except that the loan proceeds shall not be used for acquisition of properties. Nevertheless, our Directors considered that the banking facility is not a preferred option for funding our expansion plan because:

- (i) our Group's financial performance may be negatively affected if we use the bank loans for funding our business expansion. The proceeds drawn from the banking facilities is subject to repayment obligations for the principal amount and associated interest expenses. Assuming the aforesaid banking facility is fully utilised and based on the prevailing market interest rates, our Directors expect that we will incur additional financing cost of approximately HK\$0.9 million annually. We may also experience an increase in our financing cost in light of the recent upward trend in the general interest rate of borrowing in Hong Kong. By comparison, the proceeds from the Listing will become our equity without any additional financial repayment obligations (i.e. principal amount and associated interest expenses) towards our Shareholders under normal circumstances;
- (ii) based on our equity attributable to equity holders as at 31 December 2017, it is estimated that our gearing ratio will increase from nil to approximately 88.9% if we fully utilise the aforesaid banking facility. The substantial increase in our indebtedness level and gearing ratio may adversely affect our financial credibility and financial condition and limit our future ability to obtain further financing from financial institutions to support our daily operations and business expansion; and
- (iii) the banking facility is intended to be a back-up source of funding instead of a recurrent financing arrangement for our Group. Even if the banking facility is successfully obtained, it is nevertheless not permanent in nature as the banking facility and the credit amount will be subject to regular review and/or adjustments (if necessary) by the bank based on the financial positions of our Group as well as other macro-factors, including but not limited to, economic conditions and lending policies of the individual bank. In particular, based on our discussion with the bank, the short-term revolving loan is subject to a maximum repayment term

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of six months. Given that the full implementation of our expansion plan will take approximately up to 3.5 years, our Directors consider that it is more preferable to obtain funding through the Share Offer for our expansion.

Cash flows from our operating activities

For FY2016, FY2017 and the period from 1 January 2018 up to the Latest Practicable Date, our net cash generated from operating activities amounted to approximately HK\$11.9 million, HK\$9.5 million and HK\$15.4 million (excluding payment of listing expenses), respectively. Our current available resources discussed above have already included cash flows generated from our operating activities in the past. Our Directors consider that future cash flows generated from our operating activities may be used for other purposes to sustain our daily operations, such as (i) the need to maintain a higher level of available cash resources to match with our planned expansion in scale of operations; and (ii) funding needed for further expansion upon the successful implementation of our business strategies.

Therefore, our Directors consider that if we solely rely on future cash flows generated from our operating activities for financing our business strategies, it will be difficult for us to formulate a comprehensive schedule for our expansion plans, since our plan will be subject to uncertainties in relation to the timing of generating sufficient cash from our operation for our expansion plans. Further, we may be required to modify our expansion plans from time to time depending on the amount of cash generated from our operations. As a result, we would have less control over the timing of implementing our business strategies, and may fail to fully capture the forecasted increase in demand for engineering consultancy services as stated in the F&S Report.

Needs for an integral expansion plan

Under our expansion plan, we currently intend to (i) set up a new team specialising in the field of building development; (ii) strengthening our in-house team of professional staff; (iii) apply for registration with the AACSB list of consultants; (iv) leasing additional office space; (v) upgrading our information technology; and (vi) increasing our marketing effort.

Our Directors consider that each of the aforesaid objectives in our expansion plan are complementary to each other and represent an integral initiative to strengthen our service capacity so as to capture the forecasted growth in demand for engineering consultancy services. In particular, the success of our expansion depends on whether these objectives could be executed simultaneously in a coordinated and scheduled manner because we would only be able to obtain lead consultancies in sizeable construction projects and/or consultancies in building development projects if our expansion is matched by (i) an expansion in our manpower with expertise in engineering and other related disciplines; and (ii) an enhanced financial position in competing for additional sizeable projects.

In light of the aforesaid, our Directors have considered the possibility of relying on the combination of our current cash resources, funds drawn from the banking facility under application and our average net cash generated from operating activities during the Track Record Period for funding our expansion plan. Nevertheless, our Directors consider that if we proceed with such funding options, it will limit our ability to tender for sizeable projects

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and also stretching our financial resources to its limit, and we will lack adequate financial buffer to withstand any adverse impact from unforeseen circumstances in the future. As such, our Directors consider that the net proceeds from the Shares Offer are necessary for the implementation of our business plans. Therefore, our Directors consider that it is necessary for our Group to raise external funding to ensure that the various objectives under our expansion plan can be carried out simultaneously.

Use of proceeds from the Share Offer

Having considered the aforesaid, our Directors are of the view that our Group is required to raise additional funding to facilitate the successful implementation of our business strategies. Therefore, our Directors consider that pursuing the Listing is in the interest of our Group.

It is the current intention of our Directors to apply the net proceeds from the Share Offer to be received by our Company (estimated to be approximately HK\$45.0 million based on an Offer Price of HK\$0.35 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.30 to HK\$0.40 per Offer Share) for the implementation of the business strategies as aforementioned. For further details, please refer to the section headed “Future plans and use of proceeds” in this prospectus.

DESCRIPTION OF OUR SERVICES

During the Track Record Period, our Group has mainly focused on the field of infrastructure developments which involve civil engineering and traffic engineering consultancy services. Our services are inter-related to one another and our projects may require single or multiple type(s) of services depending on the clients' needs and requirements for their projects. To a lesser extent, we have also provided other ancillary services to our clients. Set out below are the major scope of services in our projects:

(I) Civil engineering

Road and structural engineering

Road and structural engineering generally refers to the study, analysis, calculation and design of different roads and structures.

Our road and structural engineering services mainly include (i) investigating the engineering feasibility and environmental impact of the projects; (ii) developing engineering drawings and designs of infrastructures based on the site constraints and surrounding traffic conditions; (iii) providing recommendations on and revising the designs provided by our clients to improve their cost-effectiveness and compatibility with the surrounding environment; and (iv) supervision of construction works.

During the Track Record Period, the road and structural engineering services undertaken by our Group mainly involved the construction, improvement and maintenance of various infrastructures such as roads, noise barriers, barrier-free access facilities and bridges.

Geotechnical engineering

Geotechnical engineering generally refers to the study of ground conditions and the mechanics of soil and rock. It mainly concerns the analysis, design and construction of foundations, slopes and other systems such as excavation and lateral support works.

During the Track Record Period, the geotechnical engineering services undertaken by our Group mainly cover (i) assessment of geotechnical conditions at different sites; (ii) design of foundations and excavation lateral support works; (iii) preparation of site formation plan for proposed infrastructure development; (iv) ground investigation and laboratory testing works; (v) slope investigation and stability analysis; and (vi) natural terrain hazard assessment.

Others

Drainage engineering

Drainage engineering generally refers to the study, planning and design of drainage system to prevent flooding.

During the Track Record Period, the drainage engineering services undertaken by our Group mainly involve (i) collecting, assessing and interpreting information in respect of drainage and sewage system; (ii) assessing the susceptibility of the sites to the risk of flooding; (iii) preparing layout plan for the proposed drainage systems and identifying site constraints; and (iv) assessing the potential impacts resulting from the proposed changes to drainage and sewage systems.

Marine engineering

Marine engineering generally refers to the inspection, assessment and design of marine structures such as seawalls and riverwalls. During the Track Record Period, the marine engineering services undertaken by our Group mainly involve (i) condition surveys and structural assessments of marine structures; and (ii) design of marine structures.

(II) Traffic engineering

Traffic engineering generally refers to the study, planning, design and maintenance of the traffic and transportation network. Our traffic engineering services comprise collection of traffic flow data, preparation of layout plan and detailed drawings for the design of roads and intersections, pedestrian crossing facilities (including facilities for people with disabilities), road lighting as well as traffic aids such as traffic signs, guard rails, safety fences, road studs and road markings.

We are experienced in preparing temporary traffic management schemes (the “TTMS”) to facilitate the implementation of associated construction works at different areas in Hong Kong. Our TTMS mainly comprises planning of traffic diversions for vehicular and pedestrian traffic, temporary signing, traffic signals, road markings and temporary traffic signal arrangement. In the design and preparation of TTMS, we generally carry out site inspection, data collection, and traffic surveys and impact analysis in relation to the target areas. If so required by our clients, we would also assist our clients to submit the TTMS to relevant authority for approval.

We have been engaged from time to time to conduct traffic impact assessment study to (i) evaluate the potential traffic impacts arising from the implementation of infrastructure development; and (ii) propose appropriate mitigating measures to minimise the disruption to the surrounding traffic network. Our traffic impact assessment study is sometimes required where new plans of private property developments are submitted to the relevant authorities to demonstrate the potential impact of such development on the traffic network nearby.

(III) Other ancillary services

During the Track Record Period, we have deployed engineering and related staff to Government authority by recruiting, employing and remunerating appropriate individuals on contract basis. In respect of our deployment services, we are generally responsible for (i) handling all the recruitment, selection and employment matters of the appropriate individuals to be deployed to Government authority; and (ii) ensuring the deployed staff will carry out the duties specified in the service contract under direct instruction and supervision of the relevant Government authority.

In particular, we have deployed engineering and related staff such as civil engineers, technical officers, works supervisors and works inspectors to the Government authority responsible for the affairs of public housing. Our deployed staff were assigned to the Government authority for performing a range of in-house work tasks, including carrying out engineering study and design, preparing engineering drawing, conducting construction supervision and preparing site reports. Such engineering-related services provided through our deployed staff are similar to some of those services directly provided by us to our clients under our engineering consultancy projects. Therefore, our Directors consider that our deployment services are inter-related and complementary to our engineering consultancy services as we are able to assist our client in fulfilling its engineering-related assignments based on the services provided by us.

In addition, based on information published by the Government authority responsible for the affairs of public housing, such Government authority has also engaged some other industry players in the infrastructure engineering consultancy market to provide deployment of appropriate engineering staff. Therefore, our Directors consider that it is a common industry practice for engineering consultants to provide deployment services to Government authority pursuant to its needs and requirements.

Our Directors consider that our deployment services provide the following advantages to Government authority:

- (i) our deployment services give the Government authority greater flexibility in its control of headcount. According to information publicly available, the Government authority is subject to an annual cap for recruiting additional permanent/part-time staff per year. Where the Government authority requires temporary support to its regular workforce to carry out engineering works, it may have to procure deployment services from external engineering consultants (such as our Group) for additional manpower. Therefore, our Directors consider that our deployment services provide an alternative source of manpower for the Government authority to perform in-house work tasks from time to time;
- (ii) we are able to leverage on our industry experience and network to identify suitable candidates with appropriate qualifications and experience who fulfil the requirements of the Government authority for deployment. With our engineering know-how and established working relationship with the

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Government authority, we are in an informed position to assess, select and deploy appropriate individuals to carry out engineering-related work tasks for the Government authority based on its requirements;

- (iii) we handle the recruitment, remuneration and administrative matters in respect of our deployed staff. When Government authority recruits engineering staff referred to it by recruitment agencies, it will have to divert resources and attention in selecting the candidates and dealing with administrative matters relating to the employment of such individuals, including but not limited to, payrolls, employee contractual benefits, insurance, and contributions to mandatory provident funds. Our deployment services allow the Government authority to have the required engineering staff for performing its work tasks without having to handle the recruitment and administrative matters relating to the employment of such personnel; and
- (iv) pursuant to the terms of engagement for our deployment services, we are generally responsible for ensuring the quality of services rendered by our deployed staff. In the event that any deployed staff is no longer available for work due to departure or any other reasons, we may be required by the Government authority to arrange for staff replacement within a short period of time. Throughout the deployment period, we have from time to time collected feedbacks from the Government authority on the works performed by our deployed staff, and where appropriate, arranged for appropriate staff replacement for the Government authority upon its request on a timely basis. Therefore, our Directors consider that our deployment services could provide a stable supply of manpower for Government authority with assurance on its service quality.

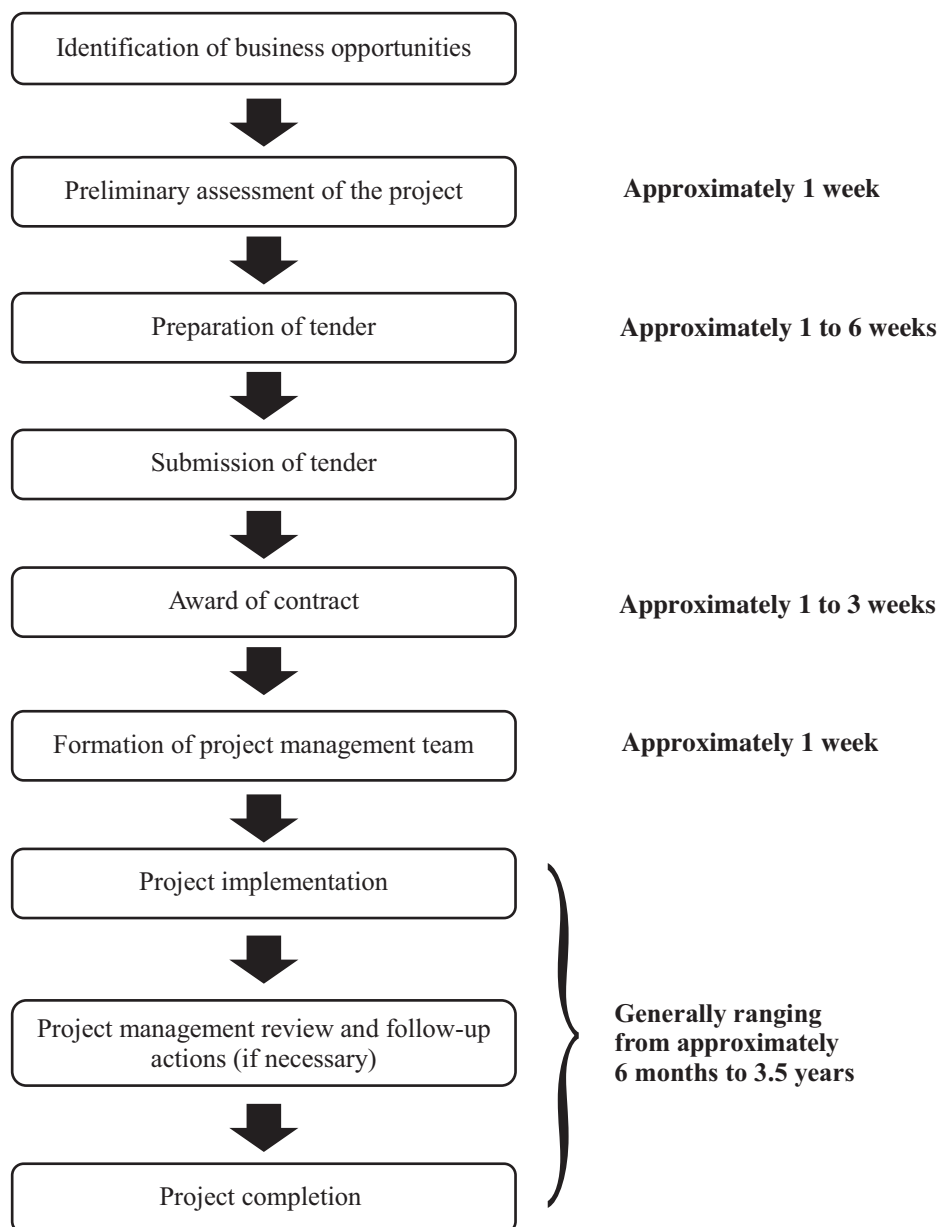
We have also provided advisory services on the implementation of contract administration procedures in infrastructure development project. In respect of our advisory services, we are generally responsible for (i) reviewing various contracts related to the infrastructure development project; (ii) establishing procedures and assessment mechanism for payment to contractors; (iii) ensuring compliance with prescribed contract management requirements; (iv) conducting risk management review; and (v) advising on the tendering process of the infrastructure development.

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BUSINESS OPERATIONS

Operation flow

Set out below is a flowchart summarising the principal steps of our business operations:



Note: The timeframe is calculated on an approximate basis and may vary from project to project, depending on the complexity of the project, the requirements of our clients and/or our agreement with our clients on the timeframe for the principal steps.

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Identification of business opportunities

We generally identify potential projects through (i) gazettes or websites on which tender invitations from different Government authorities are published; and (ii) invitation for tender by existing or potential clients. Please refer to the paragraph headed “Sales and marketing” below in this section for further details.

Our marketing team would identify potential projects through regular review of the tender notices published on the gazettes and other publicly available information such as the websites of different Government authorities. Our marketing team would take the initiative to submit expression of interests for those potential projects which we are interested in.

For projects awarded by clients other than Government authorities, we are generally required by the potential clients to submit our tender for selection upon their invitations. In particular, construction contractors who intend to tender for infrastructure development projects may enquire about our interest in being their proposed engineering consultant in such projects. In some cases, before submitting their tenders, the construction contractors would engage us to assist them in preparing the engineering designs and planning together with their tender submission.

Our Group also received invitations for potential projects from Government authorities from time to time. Under the two-stage selection process, Government authorities typically send invitation letters to engineering consultancy firms who are selected from the Consultants’ Services Directory maintained by the EACSB (such as our Group). If we are interested in the relevant projects, we will reply to such invitations by submitting an expression of interest to the relevant Government authorities. If we are shortlisted by the Government authorities for further selection, we will then receive a formal invitation to submit our tenders for the projects. In some cases, the one-stage selection process may be adopted for projects of relatively smaller scale where we will receive invitation directly from the Government authorities to submit our tenders for their consideration. For further details, please refer to the section headed “Regulatory overview – (3) Guidelines on the selection of consultants for Government projects” in this prospectus.

Preliminary assessment of the project

The tender documents and project details provided by our clients generally contain project description, scope of services required, expected commencement date, contract period, payment term and timeframe for submitting the tender.

In general, we would review and evaluate the tender documents and/or project details available to us to assess the scope of services, our capability, the expected complexity, our available human resources and feasibility of the project to determine whether we should proceed with the preparation of tender.

Preparation of tender

After we decide to tender for a project, our tendering team will proceed to prepare the tender. Our tendering team may conduct site visits to the place at which the project is to be undertaken so as to have a better assessment of the complexity of the infrastructure works involved.

Our tender generally includes (i) a fee proposal; and (ii) a technical proposal (if necessary):

(i) Preparation of fee proposal

Our finance, accounting and administration department, together with the tendering team, is responsible for the preparation of fee proposal. In estimating the tender price, we take into account various factors including (i) the scope of services; (ii) the estimated amount of time required and the personnel to be involved; (iii) the nature and complexity of the project; (iv) background and credibility of the clients; (v) the availability of our manpower and resources; (vi) the duration of the projects; (vii) any subconsultancy services which are expected to be necessary; and (viii) the prevailing market conditions.

(ii) Preparation of technical proposal

If so requested by our clients, we may be required to submit a technical proposal along with our fee proposal. Our tendering team with appropriate technical knowledge and experience will be in charge of preparing the technical proposal. The content of a technical proposal depends on the tender requirements. In general, our technical proposal includes our design approaches, structure and members of the project management team including each of their relevant project experience, qualifications, credentials and degree of involvement. Depending on our clients' requests, our technical proposal may also include design drawings, schedules, diagrams and models to illustrate our proposed design approach.

Submission of tender

The tender will be reviewed and approved by our executive Directors before submission to our clients. Our clients may arrange interviews with us after receiving our tender in order to have a better understanding of our personnel, expertise and experience. We may be required to answer queries in relation to our tender. Our clients may also negotiate on the options of our fees and scope of service, and propose amendment to our specifications.

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Award of contract

Our clients generally confirm our engagement by entering into a formal service contract with us, issuing a letter of award to us or endorsing on our fee proposals. The service contracts generally set forth our scope of services, the contract sum, payment terms, project duration and other standard terms of services. For further details, please refer to the paragraph headed “Our clients – Principal terms of engagement” in this section.

The following table sets forth the number of projects for which we have submitted tenders, the number of projects awarded and the success rate during the Track Record Period:

	FY2016	FY2017	Three months ended 31 March 2018
Number of projects for which we have submitted tenders	504	529	106
Number of projects awarded	166	157	33
Success rate (%)	32.9	29.7	31.1

During the Track Record Period, our Group had from time to time received invitations for tenders when our available resources were occupied by other projects on hand. Nonetheless, it was our strategy to respond to our clients’ invitations by submitting tenders instead of turning them down. In such circumstances, our executive Directors would take a more prudent approach in costs estimation by factoring a higher profit margin even though it may cause our tender price to become less competitive than those submitted by our competitors.

Our executive Directors believe such strategy allows us to (i) maintain our relationship with clients; (ii) maintain our presence in the market; and (iii) be informed of the latest market developments and pricing trends which are useful for tendering projects in the future. Due to such strategy and subject to the tender strategy of our competitors from time to time, we may experience fluctuations in our overall tender success rates from period to period. According to the F&S Report, the industry tender success rate of engineering consultancy projects for infrastructure development is approximately 10% to 30%. Given our tender strategy and in view of our performance over the Track Record Period, our executive Directors consider that our overall success rate for our projects during the Track Record Period has been satisfactory in general and in line with the industry tender success rate.

Formation of project management team

In general, after a project is awarded to us, our executive Directors will review and confirm the resources to be allocated in the project, including the fixing and composition of the members of the project management team and the engagement of subconsultants (if any).

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Our project management team is generally responsible for (i) formulation of detailed design, plans and schedule; (ii) delegation of works and collaboration with our subconsultants (if necessary); (iii) supervision of work progress, budget and quality of services rendered; (iv) participation in project meetings and communication with our clients on a continual basis to ensure our services meet our clients' requirements and are provided on schedule and within budget; and (v) offering feedbacks and recommendations to our clients to enhance the cost-effectiveness of their infrastructure works, while ensuring compliance with the technical requirements for their projects.

Set out below are the main responsibilities of each key member in a project management team:

- Our project manager is mainly responsible for overseeing our execution of the projects, monitoring our service quality and overall budget cost for the projects, reporting project progress to our executive Directors as well as communicating with our clients, subconsultants and other working parties involved in the projects. For our civil engineering projects, our project managers generally possess the qualifications as Chartered Engineer and/or Registered Professional Engineer. For our traffic engineering projects, our project managers generally are members of the CIHT. As at the Latest Practicable Date, we had a total of 13 project managers.
- Our project engineer is mainly responsible for assisting the project manager in the implementation of the project and managing daily communication with clients. As at the Latest Practicable Date, we had a total of 54 project engineers.
- Our draftsman is mainly responsible for preparing technical drawings and schedule based on the design prepared by our engineering staff. As at the Latest Practicable Date, we had a total of 18 draftsmen.

Project implementation

The various aspects of the engineering consultancy services provided by us during the project implementation can be illustrated in the paragraphs below. Depending on the needs and requirements of our clients, we may be required to provide one or more aspects of the following engineering consultancy services in our projects:

(i) Conducting investigation and feasibility studies

Our engineering staff commence preliminary investigation by conducting site inspection and data collection in relation to the project site. For feasibility study, our Group provides advice and carries out examination based on specified parameters with respect to statutory requirements and site constraints. Based on the findings from our investigation and feasibility studies, we may also assist our clients in preparing consultation papers for publication to the public and/or present our findings to parties who attend the consultation meetings.

(ii) Conducting engineering designs and planning

Our engineering staff is responsible for the development of civil engineering designs and/or traffic and transportation planning according to the needs and requirements of our clients. Depending on the complexity and technical requirements of the project, we may engage subconsultants to provide us with technical advice to us according to their respective specialties.

Our engineering staff will then use computer-aided design and drawing software to prepare the technical drawings. Our engineering staff may modify the designs/plans and technical drawings upon receiving feedbacks from our clients.

(iii) Construction supervision for civil engineering projects

Depending on the terms of our engagement, we may be required by our clients to supervise the works of our clients or the contractors appointed by them. In such case, we would send our personnel to the project sites to monitor the works and provide advice to our clients if necessary with a view to ensuring the construction works are undertaken in conformity with our engineering and technical designs and applicable laws and regulations, taking into account the relevant technical requirements and site constraints identified.

(iv) Assisting our clients in consulting and obtaining consent/approvals from relevant authorities for their projects

Part of the infrastructure works undertaken by our clients may require prior consultation with relevant authorities and their consents or approvals at different stages of the projects. Depending on the terms of our engagement, we may be required to consult and apply for relevant consents or approvals from relevant authorities on behalf of our clients, and reply to queries on the project raised by the authorities from time to time. During the Track Record Period, we have worked with different authorities on various aspects of our projects ranging from public roads, geotechnical works, building works, public facilities, traffic, drainage, water supplies and environmental protection.

(v) Inspecting and certifying the construction works undertaken by our clients

Subject to our scope of services, we may also assist our clients to verify their engineering designs according to specified design and safety standards. Upon completion of our verification, a design certificate is issued by us in certification of their engineering design. Upon completion of the construction works, we may also issue a construction certificate to certify that the construction works undertaken are in conformity with the prescribed engineering designs.

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Project management review and follow-up actions (if necessary)

Our project management team is responsible for managing and reviewing the progress and resources required for project implementation on a continual basis to ensure the completion of the projects within the designated timeframe and within the predetermined budget. Our project management team would revisit and resolve any problems identified during project implementation with our clients.

Our executive Directors have from time to time reviewed the division of works among the members of our project management team. Based on the amount of works involved and the workload of the existing team members, we may assign additional personnel to the project management team to assist in handling various work tasks in the project.

Depending on our clients' requests, we are generally required to submit monthly progress reports to our clients throughout the project implementation. Our monthly progress reports are prepared by the project management team which will report on the project status and any issue identified throughout the project. After the review and endorsement by our project managers, the monthly progress reports will then be submitted to our clients for record.

Project completion

As our general practice, we regard a project as duly completed upon (i) the issue of our final account to our clients; or (ii) the receipt of completion certificate from our clients in relation to the project. Generally, we will prepare a set of as-built drawings, which set out the changes made to the specifications of the construction works performed, for our clients' record upon completion of the project.

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PROJECTS UNDERTAKEN DURING THE TRACK RECORD PERIOD

Revenue by service nature

The following table sets forth a breakdown of our revenue during the Track Record Period by reference to the nature of our services:

	FY2016		FY2017		Three months ended 31 March			
	HK\$'000	%	HK\$'000	%	2017 HK\$'000 (unaudited)	%	2018 HK\$'000	%
Civil engineering								
– Road and structural engineering	36,346	51.0	47,571	55.2	13,134	66.8	8,875	42.6
– Geotechnical engineering	7,892	11.1	8,130	9.4	1,380	7.0	2,129	10.2
– Others ^(Note)	7,359	10.3	6,001	7.0	507	2.6	586	2.9
Sub-total	51,597	72.4	61,702	71.6	15,021	76.4	11,590	55.7
Traffic engineering	17,576	24.6	21,795	25.3	3,915	19.9	7,373	35.4
Other ancillary services	2,140	3.0	2,724	3.1	737	3.7	1,846	8.9
Total	71,313	100.0	86,221	100.0	19,673	100.0	20,809	100.0

Note: Others mainly included drainage engineering and marine engineering.

Number of projects by range of revenue recognised

For each of FY2016, FY2017 and the three months ended 31 March 2018, there were 332, 334 and 178 projects which contributed a total of HK\$71.3 million, HK\$86.2 million and HK\$20.8 million to our revenue, respectively.

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Set out below is a breakdown of our projects based on their respective range of revenue recognised during the Track Record Period:

	FY2016	FY2017	Three months ended 31 March 2018
	<i>No. of projects</i>	<i>No. of projects</i>	<i>No. of projects</i>
Revenue recognised			
HK\$1 million or above	11	9	0
HK\$500,000 to below HK\$1 million	25	33	8
HK\$100,000 to below HK\$500,000	110	114	48
HK\$50,000 to below HK\$100,000	63	67	37
HK\$10,000 to below HK\$50,000	105	99	59
Below HK\$10,000	<u>18</u>	<u>12</u>	<u>26</u>
Total <i>(Note)</i>	<u>332</u>	<u>334</u> <i>(Note 1)</i>	<u>178</u> <i>(Note 2)</i>

Notes:

1. Out of the 334 projects which contributed revenue to FY2017, 163 projects also contributed revenue to FY2016.
2. Out of the 178 projects which contributed revenue to the three months ended 31 March 2018, 149 projects also contributed revenue to FY2017.

For each of FY2016, FY2017 and the three months ended 31 March 2018, our Group was awarded with 166, 157 and 33 projects, respectively. Set out below is a breakdown of projects awarded to us during the Track Record Period based on their respective range of contract sum:

	FY2016	FY2017	Three months ended 31 March 2018
	<i>No. of projects</i>	<i>No. of projects</i>	<i>No. of projects</i>
Contract sum <i>(Note)</i>			
Above HK\$1.0 million	18	14	4
HK\$200,000 to HK\$1.0 million	35	35	8
Below HK\$200,000	<u>113</u>	<u>108</u>	<u>21</u>
Total	<u>166</u>	<u>157</u>	<u>33</u>

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Note: The contract sum does not take into account variation orders issued by the clients and is only based on the initial agreement between our Group and its clients.

As mentioned in the paragraph headed “Description of our services” above in this section, our services are inter-related to one another and our projects may require single or multiple type(s) of services depending on the clients’ needs and requirements for their projects. Set out below are the major scope of our services in various scale of projects:

Large-scale projects

Our large-scale projects generally refer to projects with contract sum above HK\$1.0 million. In large-scale projects, we are generally engaged to provide integrated engineering consultancy services which involve multiple types of our services involving both civil engineering and traffic engineering works. Large-scale projects generally involve more elements of our engineering design services and have a longer duration ranging from 2.5 to 3.5 years. In such projects, we are usually engaged throughout different stages of the infrastructure developments since their commencement up to completion.

For instance, in one of our top five projects during the Track Record Period which related to the development of Hong Kong Football Training Centre (the “**Football Training Centre Project**”), we were engaged to provide integrated engineering consultancy services involving both civil engineering and traffic engineering works.

The civil engineering services provided by us for the Football Training Centre Project related to the fields of structural engineering, geotechnical engineering and drainage engineering. In respect of our structural engineering services, we were engaged to (i) investigate the environmental impact of the planned development; (ii) conduct pre-construction condition survey; (iii) develop structural engineering design for the football training centre and other supporting facilities; and (iv) conduct construction supervision throughout the implementation of the development. In respect of our geotechnical engineering services, we were engaged to (i) assess the geotechnical conditions of the site; (ii) propose slope improvement works; and (iii) develop design of excavation lateral support works and site formation. We were also engaged to provide drainage engineering services which involved the provision of detailed drainage, sewerage and waterworks design in relation to the planned development.

In respect of our traffic engineering services for the Football Training Centre Project, we were engaged to (i) evaluate existing traffic conditions; (ii) propose amendments and modifications of traffic layout associated with the development; (iii) provide temporary traffic management scheme; (iv) prepare relevant vehicular and pedestrian traffic and road markings; and (v) conduct traffic impact analysis. The number of payment milestones vary from project to project and largely depends on the contract terms and our negotiation with clients. A large-scale project may have in total approximately 10 to 25 payment milestones during the contract term.

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Medium-scale projects

Our medium-scale projects generally refer to projects with contract sum between HK\$200,000 to below HK\$1.0 million. Our medium-scale projects generally involve either civil engineering works or traffic engineering works (as opposed to large-scale projects which typically involve both fields of works) with duration up to 18 months. In some of our medium-scale projects, we were required to provide recommendations on and revise the structural engineering designs provided by our clients to improve their cost-effectiveness and compatibility with the surrounding environment. Our medium-scale projects generally have in total less than 10 payment milestones during the contract term.

Small-scale projects

Our small-scale projects generally refer to projects with contract sum below HK\$200,000. Our small-scale projects are generally completed within a year, and typically involve our traffic engineering consultancy services which are applied in proposed traffic diversions on a temporary and ad-hoc basis. The traffic engineering consultancy services provided by us in small-scale projects typically include (i) evaluation of existing traffic conditions; (ii) provision of temporary traffic management scheme and assisting our clients to obtain approval from relevant authority; (iii) preparation of traffic diversions for vehicular and pedestrian traffic, temporary signing, traffic signals, road markings and temporary traffic signal arrangement; and (iv) conducting traffic impact analysis. Some of our small-scale projects may also involve some minor design-related works in the field of civil engineering. Our small-scale projects generally have in total less than 5 payment milestones during the contract term.

Our projects' payment milestone may vary depending on the particular contract terms with our clients. For further details, please refer to the paragraph headed "Our clients – Principal terms of engagement – (A) Engineering consultancy services – Payment terms" in this section of the prospectus.

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Top projects during the Track Record Period

The following table sets out the details of our top five projects during the Track Record Period in terms of revenue contribution to our Group:

Client	Nature and site of the project	Nature of our services	Date of commencement and completion of our works ^(Note 2)	Amount of revenue recognised before FY2016 HK\$'000	FY2016 HK\$'000	Revenue (percentage of total revenue recognised for the year/period) Three months ended 31 March 2018 FY2016 (%)	FY2017 (%)	Rank	HK\$'000	(%)	Rank	Outstanding contract sum as at 31 March 2018 HK\$'000	Estimated revenue to be recognised from 1 April to 31 December 2018 HK\$'000	Estimated revenue to be recognised after 31 December 2018 HK\$'000
Client F and Client G ^(Notes 1 and 3)	Tender stage of the proposed development at the Integrated Waste Management Facilities Phase 1 at Shek Kwu Chau	Civil engineering consultancy	Commencement: November 2016 Completion: June 2017	N/A	3,903	5.5	1	1	N/A	N/A	N/A	N/A	N/A	N/A
Client H ^(Note 4)	Construction stage of the development at the Hong Kong Football Training Centre Phase 1 on the Tseung Kwan O Stage 1 Landfill	Civil engineering and traffic engineering consultancy	Commencement: September 2016 Completion: June 2017	N/A	2,317	3.2	2	3	N/A	N/A	N/A	N/A	N/A	N/A
Client A ^(Note 1)	Reconstruction and upgrading of Kai Tak Nullah	Civil engineering and traffic engineering consultancy	Commencement: April 2013 Expected completion: July 2018	1,928	2,105	3.0	3	4	192	0.9	N/A	17	17	N/A
Client I ^(Note 5)	Design stage of the development at the Hong Kong Football Training Centre Phase 1 on the Tseung Kwan O Stage 1 Landfill	Civil engineering and traffic engineering consultancy	Commencement: March 2016 Completion: September 2016	N/A	1,900	2.7	4	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Client C ^(Note 1)	Development for the western portion of Hong Kong-Zhuhai-Macao Bridge Hong Kong boundary crossing facilities	Civil engineering consultancy	Commencement: October 2014 Expected completion: December 2018	2,570	1,669	2.3	5	2	69	0.3	N/A	844	844	N/A

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Client	Nature and site of the project	Nature of our services	Date of commencement and completion of our works <i>(Note 2)</i>	Amount of revenue recognised before FY2016 HK\$'000	Revenue (percentage of total revenue recognised for the year/period) Three months ended 31 March 2018					Outstanding contract sum as at 31 March 2018 HK\$'000	Estimated revenue to be recognised from 1 April to 31 December 2018 HK\$'000	Estimated revenue to be recognised after 31 December 2018 HK\$'000			
				FY2016 HK\$'000	FY2016 (%)	Rank	HK\$'000	FY2017 (%)	Rank	HK\$'000	(%)	Rank			
Client J <i>(Note 6)</i>	Development for the excavation and lateral support works at Kai Tak Development Stage 2	Civil engineering consultancy	Commencement: April 2016 Expected completion: April 2019	N/A	0.8	N/A	1,405	1.6	5	635	3.1	1	675	557	FY 2019: 118
Client D <i>(Note 1)</i>	Design, investigation and construction of barrier-free access facilities at public footbridges, elevated walkways and subways	Civil engineering consultancy	Commencement: June 2013 Expected completion: January 2020	5,052	1.7	N/A	713	0.8	N/A	608	2.9	2	991	401	FY2019: 530 FY2020: 60
Client K <i>(Note 7)</i>	Investigation and improvement of Fan Kam Road	Civil engineering consultancy	Commencement: January 2018 Completion: March 2018	N/A	N/A	N/A	N/A	N/A	N/A	600	2.9	3	N/A	N/A	N/A
Client B <i>(Note 1)</i>	Design and construction of lift and pedestrian walkway system between Tai Wo Hau Road and Wo Tong Tsui Street in Kwai Chung	Civil engineering and traffic engineering consultancy	Commencement: June 2017 Expected completion: April 2020	N/A	N/A	N/A	282	0.3	N/A	591	2.8	4	1,815	558	FY2019: 1,013 FY2020: 244
Client D <i>(Note 1)</i>	Design and construction of Tsung Kwan O – Lam Tin Tunnel	Advisory services on the implementation of contract administration procedures	Commencement: August 2015 Expected completion: December 2020	977	1.4	N/A	601	0.7	N/A	589	2.8	5	4,803	1,588	FY2019: 1,904 FY2020: 1,311

Notes:

1. This is one of our top five clients during the Track Record Period and for further information, please refer to the paragraph headed “Clients – Top clients” in this section.
2. Where applicable, future completion dates represent our management’s best estimates according to the expected completion dates specified in the relevant contracts (if any) and the actual work schedule up to the Latest Practicable Date.
3. Pursuant to the service contract, the service fees payable to our Group shall be borne by Client F and Client G as to 72.5% and 27.5%, respectively.
4. Client H is a private construction contracting and management company in Hong Kong and Macau.
5. Client I is a private company engaging in activities to enhance football development in Hong Kong.
6. Client J is a joint venture formed by a construction company listed on the Taiwan Stock Exchange, and Client A.
7. Client K is a private construction and engineering company in Hong Kong.

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Backlog

The following table sets out movement in the number of our projects during the Track Record Period and up to the Latest Practicable Date:

	FY2016	FY2017	For the three months ended 31 March 2018	From 1 April 2018 up to the Latest Practicable Date
Opening number of projects ^(Note 1)	221 ^(Note 5)	229 ^(Note 6)	229 ^(Note 7)	198 ^(Note 8)
Number of new projects awarded to us ^(Note 2)	166 ^(Note 5)	157 ^(Note 6)	33 ^(Note 7)	59 ^(Note 8)
Number of projects completed ^(Note 3)	<u>158</u>	<u>157</u>	<u>64</u>	<u>91</u>
Ending number of projects ^(Note 4)	<u>229</u>	<u>229</u>	<u>198</u>	<u>166</u>

Notes:

- Opening number of projects means the number of awarded projects which were not completed as of the beginning of the relevant year/period indicated.
- Number of new projects means the number of new projects awarded to us during the relevant year/period indicated.
- Number of projects completed means the number of projects which are practically regarded as completed.
- Ending number of projects is equal to the opening number of projects plus number of new projects minus number of projects completed during the relevant year/period indicated.
- Out of the 387 projects which represented the opening number of projects as at 1 January 2016 and the projects awarded to us in FY2016, (i) 332 projects had been commenced with revenue contribution to our Group in FY2016; (ii) 42 projects had been awarded but not yet commenced as at 31 December 2016; and (iii) 13 projects had been commenced but no works had been performed in FY2016.
- Out of the 386 projects which represented the opening number of projects as at 1 January 2017 and the projects awarded to us in FY2017, (i) 334 projects had been commenced with revenue contribution to our Group in FY2017; (ii) 44 projects had been awarded but not yet commenced as at 31 December 2017; and (iii) 8 projects had been commenced but no works had been performed in FY2017.
- Out of the 262 projects which represented the opening number of projects as at 1 January 2018 and the projects awarded to us for the three months ended 31 March 2018, (i) 178 projects had been commenced with revenue contribution to our Group for the three months ended 31 March 2018; (ii) 10 projects had been awarded but not yet commenced as at 31 March 2018; and (iii) 74 projects had been commenced but no works had been performed for the three months ended 31 March 2018.
- Out of the 257 projects which represented the opening number of projects as at 1 April 2018 and the projects awarded to us during the period from 1 April 2018 up to the Latest Practicable Date, (i) we had made billing for 227 projects during the period from 1 April 2018 up to the Latest Practicable

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Date; (ii) 9 projects had been awarded but not yet commenced as at the Latest Practicable Date; and (iii) 21 projects had been commenced but no works had been performed during the period from 1 April 2018 up to the Latest Practicable Date.

The following table sets out the movement in the value of backlog of our projects during the Track Record Period and up to the Latest Practicable Date:

	FY2016	FY2017	Three months ended 31 March 2018	From 1 April 2018 up to the Latest Practicable Date
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Opening value of backlog	59,786	83,146	81,909	93,467
Total value of new projects and variation orders awarded <i>(Note 1)</i>	94,673	84,984	32,367	54,802
Revenue recognised <i>(Note 2)</i>	<u>71,313</u>	<u>86,221</u>	<u>20,809</u>	<u>34,123</u>
Ending value of backlog <i>(Note 3)</i>	<u><u>83,146</u></u>	<u><u>81,909</u></u>	<u><u>93,467</u></u>	<u><u>114,146</u></u>

Notes:

1. Total value of new projects and variation orders awarded means the initial contract sum of new projects awarded and variation orders issued by our clients in the relevant year/period indicated.
2. The revenue recognised for each year of the Track Record Period represents the audited revenue recognised for each of the two years ended 31 December 2017 and three months ended 31 March 2018, and the revenue recognised for the period from 1 April 2018 to the Latest Practicable Date represents the unaudited revenue recognised for the same period, in each case taking account of any additions and modifications due to variation orders (if any).
3. Ending value of backlog means the portion of the total estimated revenue that has not been recognised with respect to our projects which had not been completed as at the end of the relevant year/period indicated.

Loss making project during the Track Record Period

During the Track Record Period, we recorded one loss making project which involved our civil engineering consultancy services in relation to the riverwall and other improvement works in Tai O, Hong Kong (the “**Tai O Project**”). The Tai O Project which was awarded in 2009 represented our first project related to marine engineering design awarded by the Government authority responsible for civil engineering and development. The Tai O Project mainly involved the design of riverwall and ancillary improvement works including road works design for entrance plaza, public transport terminus and car park. The Tai O Project is expected to be completed by 2022.

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The initial contract sum of the Tai O Project was approximately HK\$5.2 million. During the year ended 31 December 2015, we estimated that our total costs to be incurred for carrying out the Tai O Project would be higher than the total revenue derived therefrom. Therefore, a provision was made by us in respect of the projected loss to be incurred from the Tai O Project in 2015. In FY2016, FY2017 and the three months ended 31 March 2018, approximately HK\$0.4 million, HK\$0.7 million and HK\$17,000 of the loss in respect of the Tai O Project were offset by our provision made in 2015, respectively. As at 31 March 2018, the provision made for the Tai O Project was approximately HK\$1.9 million. Our provision made in respect of the Tai O Project is evaluated and reviewed by our executive Directors annually to ensure such provision accurately reflect their estimation on the loss to be incurred from the Tai O Project based on its latest status. Based on (i) the expected revenue and costs in respect of the remaining works involved in the Tai O Project; and (ii) the current work schedule and progress, our executive Directors consider that our provision made for the Tai O Project is sufficient to cover our projected loss from the project.

Since the Tai O Project represented the first tender invitation we received which involved marine engineering design, our executive Directors were keen on obtaining such project in building an initial track record in the field of marine engineering. Therefore, we had adopted a relatively aggressive pricing strategy when tendering for the Tai O Project.

Our executive Directors consider that the Tai O Project does not have any material impact on our business operations because (i) adequate provision has already been made in respect of our projected loss relating to the Tai O Project for the remaining period of our engagement; and (ii) since we became aware of the projected loss from the Tai O Project, we have implemented various internal control measures in 2015 in order to prevent the recurrence of major cost overrun. For further information on our cost control measures, please refer to the paragraph headed “Pricing Strategy” in this section.

Save as the Tai O Project, we did not encounter any project delay or cost overrun, nor did we experience any loss-making projects as a result of material inaccurate estimation or cost overruns during the Track Record Period and up to the Latest Practicable Date.

PROJECTS ON HAND

As at the Latest Practicable Date, our Group had 166 projects on hand (representing projects that have commenced but not completed as well as projects that have been awarded to us but not yet commenced) with an aggregate of HK\$114.1 million yet to be recognised as revenue after the Latest Practicable Date, among which, HK\$25.9 million, HK\$46.7 million, HK\$33.7 million and HK\$7.8 million is expected to be recognised as revenue after the Latest Practicable Date up to 31 December 2018, FY2019, FY2020 and after FY2020, respectively.

Our major on-going project

The following table sets out the details of our on-going projects as at the Latest Practicable Date with revenue expected to be derived of HK\$1.0 million or above after the Track Record Period in descending order:

Project No.	Nature and site of the project	Nature of our services	Type of our clients	Date of commencement and completion of our works (Note 1)	Revenue recognised before the Track Record Period	Revenue recognised during the Track Record Period	Outstanding contract sum as at 31 March 2018	Estimated revenue to be recognised from 1 April 2018 to 31 December 2018	Estimated revenue to be recognised after 31 December 2018
					HK\$ '000	FY2016 HK\$ '000	FY2017 HK\$ '000	Three months ended 31 March 2018 HK\$ '000	HK\$ '000
1.	Monitoring and auditing for design, site investigation and construction of entrustment works for West Kowloon Cultural District Project	Civil engineering consultancy	Government authority responsible for civil engineering works	May 2018 to July 2022	N/A	N/A	N/A	N/A	1,433 FY2019: 1,050 FY2020: 1,050 After FY2020: 7,405
2.	Design and construction of pedestrian link near Chuk Yuen North Estate	Civil engineering consultancy	Government authority responsible for public road affairs	May 2018 to December 2020	N/A	N/A	N/A	N/A	1,047 FY2019: 1,302 FY2020: 6,450
3.	Design, investigation and construction of barrier-free access facilities at public footbridges, elevated walkways and subways	Civil engineering and traffic engineering consultancy	Government authority responsible for public road affairs	November 2017 to May 2022	N/A	N/A	231	250	1,332 FY2019: 2,203 FY2020: 2,085 After FY2020: 2,587

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Project No.	Nature and site of the project	Nature of our services	Type of our clients	Date of commencement and completion of our works (Note 1)	Revenue recognised before the Track Record Period	Revenue recognised during the Track Record Period	Three months ended 31 March 2018	Outstanding contract sum as at 31 March 2018	Estimated revenue to be recognised from 1 April 2018 to 31 December 2018
					HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
4.	Design and construction of footbridge network in Tsuen Wan	Civil engineering consultancy and traffic engineering consultancy	Government authority responsible for public road affairs	August 2018 to December 2022	N/A	N/A	N/A	6,888	572 FY2019: 1,033 FY2020: 999 After FY2020: 4,284
5.	Design and construction of conversion from fresh water to salt water for flushing in Tuen Mun and Yuen Long	Civil engineering consultancy	Government authority responsible for water supplies	November 2017 to November 2020	N/A	N/A	108	4,916	2,731 FY2019: 271 FY2020: 1,914
6.	Design and construction of Tseung Kwan O – Lam Tin Tunnel	Advisory services on the implementation of contract administration procedures	Government authority responsible for civil engineering works	August 2015 to December 2020	977	970	601	4,803	1,588 FY2019: 1,904 FY2020: 1,311
7.	Upgrading of unimproved sections of Kam Tin Road and Lam Kam Road	Civil engineering and traffic engineering consultancy	Government authority responsible for public road affairs	July 2018 to March 2021	N/A	N/A	N/A	3,884	944 FY2019: 1,342 FY2020: 1,342 After FY2020: 256
8.	Pre-bid consultant services for independent inspection consultant services	Civil engineering consultancy	Client A	April 2018 to March 2024	N/A	N/A	N/A	3,600	450 FY2019: 600 FY2020: 600 After FY2020: 1,950
9.	Investigation design and construction for retrofitting of noise barriers on Long Tin Road and Ma Wang Road	Civil engineering consultancy	Government authority responsible for public road affairs	October 2017 to January 2027	N/A	N/A	332	3,468	214 FY2019: 121 FY2020: 182 After FY2020: 2,951

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Project No.	Nature and site of the project	Nature of our services	Type of our clients	Date of commencement and completion of our works (Note 1)	Revenue recognised before the Track Record Period	Revenue recognised during the Track Record Period	Three months ended 31 March 2018	Outstanding contract sum as at 31 March 2018	Estimated revenue to be recognised from 1 April 2018 to 31 December 2018
					HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
10.	Maintenance of slopes at designated area in Hong Kong Islands and Outlying Islands (South)	Civil engineering consultancy	Construction contractor, being subsidiaries of a company listed in Hong Kong which is principally engaged in Hong Kong and overseas construction projects	April 2018 to March 2022	N/A	N/A	N/A	3,312	621 FY2019: 828 FY2020: 828 After FY2020: 1,035
11.	Land decontamination and advance engineering works of the development of Lok Ma Chau loop	Civil engineering consultancy	Construction contractor, being a joint venture formed by two construction companies principally engaged in civil construction in Hong Kong	July 2018 to January 2019	N/A	N/A	N/A	2,804	1,104 FY2019: 1,700
12.	Design of temporary support and drainage impact assessment for residential development at junction of Shouson Hill Road West and Wong Chuk Hang Path	Civil engineering consultancy	Client G	April 2018 to February 2020	N/A	N/A	N/A	2,380	1,600 FY2019: 750 FY2020: 30
13.	Building engineering consultancy for cinema houses in Kwai Chung, Hong Kong	Building engineering consultancy	Property developer in Hong Kong	July 2018 to December 2018	N/A	N/A	N/A	2,380	2,380 N/A
14.	Riverwall and other improvement works in Tai O	Civil engineering and traffic engineering consultancy	Government authority responsible for civil engineering works	December 2009 to December 2022	3,490	923	800	2,068	151 FY2019: 479 FY2020: 480 After FY2020: 958

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Project No.	Nature and site of the project	Nature of our services	Type of our clients	Date of commencement and completion of our works (Note 1)	Revenue recognised before the Track Record Period HK\$ '000	Revenue recognised during the Track Record Period	Three months ended 31 March 2018 HK\$ '000	Outstanding contract sum as at 31 March 2018 HK\$ '000	Estimated revenue to be recognised from 1 April 2018 to 31 December 2018 HK\$ '000	Estimated revenue to be recognised after FY2020: 774
15.	Feasibility study on traffic improvement scheme for Kam Sheung Road	Traffic engineering consultancy	Government authority responsible for civil engineering works	January 2018 to April 2022	N/A	N/A	256	1,983	206	FY2019: 338 FY2020: 665 After FY2020: 774
16.	Design and construction of barrier-free access facilities at public footbridges, elevated walkways and subways	Civil engineering consultancy	Government authority responsible for public road affairs	January 2014 to May 2019	2,319	937	1,317	1,941	998	FY2019: 943
17.	Design and construction of lift and pedestrian walkway system between Tai Wo Hau Road and Wo Tong Tsui Street in Kwai Chung	Civil engineering and traffic engineering consultancy	Government authority responsible for public road affairs	June 2017 to April 2020	N/A	N/A	282	1,815	558	FY2019: 1,013 FY2020: 244
18.	Design, tender and supervision for slope upgrading works at Ngau Tau Kok	Civil engineering consultancy	The incorporated owners of a private residential building	April 2017 to October 2020	N/A	N/A	214	1,806	416	FY2019: 900 FY2020: 490
19.	Design and construction of cycle tracks from Tuen Mun to Sheung Shui for the remaining works	Advisory services on the implementation of contract administration procedures	Government authority responsible for civil engineering works	June 2016 to November 2019	N/A	729	982	1,786	808	FY2019: 978
20.	Design and construction of columbarium at Sandy Ridge Cemetery	Civil engineering and traffic engineering consultancy	Construction contractor in Hong Kong principally engaged in civil construction in Hong Kong	August 2018 to July 2019	N/A	N/A	N/A	1,740	712	FY2019: 1,028
21.	Building engineering consultancy for a proposed village house development in Yuen Long, Hong Kong	Building engineering consultancy	Construction contractor in Hong Kong principally engaged in building construction in Hong Kong	January 2019 to December 2019	N/A	N/A	N/A	1,700	N/A	FY2019: 1,700

BUSINESS

Project No.	Nature and site of the project	Nature of our services	Type of our clients	Date of commencement and completion of our works (Note 1)	Revenue recognised before the Track Record Period HK\$ '000	Revenue recognised during the Track Record Period	Three months ended 31 March 2018 HK\$ '000	Outstanding contract sum as at 31 March 2018 HK\$ '000	Estimated revenue to be recognised from 1 April 2018 to 31 December 2018 HK\$ '000	Estimated revenue to be recognised after 31 December 2018 HK\$ '000
22.	Design of on-site chlorine generation plants at Au Tau, Tseung Wan and Yau Kom Tau water treatment works	Civil engineering consultancy	Construction contractor in Hong Kong principally engaged in civil construction in Hong Kong	July 2018 to June 2019	N/A	N/A	N/A	1,690	700	FY2019: 990
23.	Traffic consultant works for Exhibition Station and Western Approach Tunnel of Shatin to Central Link	Traffic engineering consultancy	Construction contractor, being a joint venture formed by a construction company listed in Hong Kong and a construction company listed in Australia	September 2017 to December 2021	N/A	N/A	93	1,499	239	FY2019: 420 FY2020: 420 After FY2020: 420
24.	Surveys on public transport services in the New Territories East	Traffic engineering consultancy	Government authority responsible for transport affairs	May 2018 to January 2019	N/A	N/A	N/A	1,250	1,000	FY2019: 250
25.	Early contractor and tender consultant services for the third runway and associated works	Civil engineering consultancy	Construction contractor in Hong Kong principally engaged in civil construction in Hong Kong	September 2018 to March 2019	N/A	N/A	N/A	1,190	833	FY2019: 357
26.	Feasibility study on pipe bridge near Pak Mong River	Civil engineering consultancy and traffic engineering consultancy	Construction contractor in Hong Kong principally engaged in civil construction in Hong Kong	August 2018 to November 2018	N/A	N/A	N/A	1,180	1,180	N/A
27.	Reconstruction, improvement and rehabilitation of Kai Tak River from Wong Tai Sin Police Station to Tung Tau II Estate	Civil engineering and traffic engineering consultancy	Client E	April 2012 to March 2019	1,718	482	377	1,100	800	FY2019: 300

BUSINESS

Project No.	Nature and site of the project	Nature of our services	Type of our clients	Date of commencement and completion of our works (Note 1)	Revenue recognised before the Track Record Period	Revenue recognised during the Track Record Period	Outstanding contract sum as at 31 March 2018	Estimated revenue to be recognised from 1 April 2018 to 31 December 2018
					HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000
28.	Maintenance of slopes at designated area in New Territories and Outlying Islands (North)	Civil engineering consultancy	Construction contractor, being subsidiary of a company listed in Hong Kong which principally engaged in construction projects and infrastructure development	April 2016 to September 2019	N/A	667	1,055	442
						859		FY2019: 613
29.	Surveys on public transport services in the New Territories West	Traffic engineering consultancy	Government authority responsible for transport affairs	March 2018 to December 2018	N/A	N/A	1,043	N/A
30.	Investigation for lift and pedestrian walkway systems at Wo Tong Street, Kwai Chung and Luen On Street, Kwun Tong	Civil engineering and traffic engineering consultancy	Government authority responsible for public road affairs	August 2015 to July 2019	310	817	1,005	383
								FY2019: 622

Notes:

- The expected completion date for a particular project is provided based on our management's best estimation. In making the estimation, our management takes into account factors including the expected completion date specified in the relevant contract (if any), the extension period granted by our clients (if any) and the actual work schedule.

BUSINESS

OUR CLIENTS

Characteristics of our clients

Our clients during the Track Record Period mainly comprise (i) construction contractors undertaking civil engineering and building construction projects; (ii) different Government authorities; and (iii) other clients which mainly include public transportation corporation, property developers and architectural firms which need our consultancy services on the engineering aspects of the projects.

Based on the F&S Report, in infrastructure development projects, construction contractors are often required to provide design-and-build services which include preparation of engineering designs, budgeting and resources coordination, building and construction works, and project management and execution. As construction contractors generally do not maintain sufficient in-house professional engineers, they therefore often engage external consultants (such as our Group) to provide engineering consultancy services at various stages of the projects. It is not uncommon that construction contractors would engage the same consultants who have worked with them at the tender submission stage after they were awarded with the projects, given that such consultants are more familiar with the specifications and requirements of the projects, thus saving the time and cost in coordination and project execution.

For FY2016, FY2017 and the three months ended 31 March 2018, the number of clients with revenue contribution to our Group was 139, 149 and 93, respectively. During the Track Record Period, all of our revenue was derived in Hong Kong in terms of the geographical location of our project sites and all of our revenue was denominated in Hong Kong dollars.

The following table sets forth a breakdown of our revenue and number of projects undertaken during the Track Record Period by reference to the category of our clients:

	FY2016			FY2017			Three months ended 31 March					
	No. of projects	HK\$'000	%	No. of projects	HK\$'000	%	2017		2018			
							No. of projects	HK\$'000	%	No. of projects	HK\$'000	%
							(unaudited)					
Construction contractors ^(Note 3)	266	51,673	72.5	268	65,742	76.2	163	16,890	85.9	144	12,724	61.1
Government authorities ^(Note 4)	23	12,390	17.4	27	15,302	17.7	18	2,716	13.8	24	7,203	34.6
Others ^(Note 5)	43	7,250	10.1	39	5,177	6.1	4	67	0.3	10	882	4.3
Total	332	71,313	100.0	334^(Note 1)	86,221	100.0	185	19,673	100.0	178^(Note 2)	20,809	100.0

Notes:

- Out of the 334 projects which contributed revenue to FY2017, 163 projects also contributed revenue to FY2016.
- Out of the 178 projects which contributed revenue to the three months ended 31 March 2018, 149 projects also contributed revenue to FY2017.

BUSINESS

3. In respect of projects awarded by construction contractors, approximately HK\$37.2 million, HK\$51.2 million and HK\$9.8 million of our revenue representing approximately 52.2%, 59.4% and 47.1% of our total revenue, was derived from projects whose project owners are Government authorities for FY2016, FY2017 and the three months ended 31 March 2018, respectively.
4. These include projects awarded to us directly by Government authorities.
5. Other clients mainly include public transportation corporation, property developers and architectural firms.

Construction contractors

During the Track Record Period, we have been engaged by construction contractors undertaking civil engineering and building construction projects. Generally, construction contractors may engage us for engineering consultancy services at different stages of their projects. Project owners may invite construction contractors to submit tenders for carrying out the construction works together with the proposed engineering designs and planning. Before submitting their tenders, construction contractors may engage us to assist them in preparing the engineering designs and planning together with their tender submission. Alternatively, some construction contractors have engaged us after they are awarded with the projects.

Government authorities

During the Track Record Period, we were engaged by various Government authorities responsible for the affairs of civil engineering works, housing, public road, transport and water supplies to provide engineering consultancy services.

Others

During the Track Record Period, we have also been engaged by public transportation corporation, property developers and architectural firms which need our consultancy services on the engineering aspects of the projects.

Principal terms of engagement

(A) Engineering consultancy services

We provide engineering consultancy services to our clients on a project-by-project basis. Our executive Directors consider such arrangement is in line with the engineering consultancy industry practice in Hong Kong.

BUSINESS

Our clients generally confirm our engagement by entering into a formal service contract with us, issuing a letter of award to us or endorsing on our fee proposals. The principal terms of our engagement with clients are summarised as follows:

Scope of services

Our service contract specifies our role, scope of work and deliverables to be submitted at various stages of the project. It also sets out the subject area or facilities in which our services are to be performed.

Duration

Our service contract usually specifies (i) the commencement date and the duration of the project implementation; and (ii) the due date for the submission of our deliverables required at various stages of the project. Our projects typically range from approximately 6 months to 3.5 years.

Payment terms

Our service fees are chargeable by (i) a fixed amount divided into various portions by stages based on the achievement of payment milestones set out in the contracts; and/or (ii) on a monthly basis during the specified period of the contracts. Payment milestones are generally determined based on the submission and approval of our deliverables throughout various stages of the projects including the investigation phase, design phase, tender phase, construction phase and completion phase. We generally grant our clients a credit term ranging from 0 to 60 days.

In general, the payment milestones are determined by the submission and approval of our deliverables by our clients generally in the forms of assessment reports, feasibility studies, engineering designs and drawings, and geotechnical analysis based on our clients' requirements. Such deliverables relate to our works performed in different service aspects such as civil engineering and/or traffic engineering. The payment milestones are pre-agreed and specified in the contracts between us and our clients, and a certain percentage of our total fees under the contracts is accorded to each payment milestone. Based on the contracts with our clients, our management team will assess and determine the status of our projects with reference to fulfilment of payment milestones for each stage. Accordingly, the schedule of our progress billing for the projects will closely correspond to the timing of submission and approval for our deliverables. While the actual type and number of deliverables required for fulfilling each payment milestone may vary subject to the particular contract terms with our clients, the following table sets forth some of the major payment milestones typically involved in our projects based on the amount of payment involved.

Major types of payment milestone events

- Upon submission or approval of deliverables for foundation works
- Upon submission or approval of deliverables for roadworks and drainage works

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- Upon submission or approval of deliverables for landscape works
- Upon submission or approval of structural design plan
- Upon submission or approval of ground investigation report
- Upon submission or approval of design of geotechnical works
- Upon submission or approval of temporary traffic management scheme
- Upon submission or approval of traffic impact assessment report
- Upon completion of all design work including design checking to the satisfaction of our customer or their authorised representatives
- Upon submission or approval of operation and maintenance manual for our works
- Upon submission or approval of as-built drawings for our works

Generally, if no follow-up action was requested by our clients after we submitted the drafts of our deliverables to them for review, we would finalise the deliverables and issue our billings accordingly. Alternatively, on the occasions where we were required to modify our works based on our clients' feedbacks, we would submit the revised drafts for approval until such clients confirmed that they had no further comments thereon. Depending on the types of deliverables required and the scale and work schedule for each project, the average time required for us to achieve each of the payment milestones and to obtain clients' approval in our projects ranged from approximately one month to three months during the Track Record Period. In some occasions, particularly where we were involved in large-scale projects, the approval process of our deliverables submitted pursuant to the payment milestones of our contracts may take a longer period and hence the time required to achieve the payment milestone and to obtain clients' approvals in such projects may last up to 6 months.

Contract costs are incurred by us in a project when it involves works done by our staff or subconsultants engaged by us for providing the deliverables to our clients (i.e. achieving the payment milestones specified in the contracts). During the Track Record Period, depending on the scale and work schedule for each project and the credit terms granted to our clients, the average timeframe from the incurrence of contract costs to the receipt of payments from our clients is approximately 1.5 months to five months. As mentioned above, the approval process of our deliverables submitted pursuant to the payment milestones of our contracts may take a longer period, particularly for those large-scale projects. Accordingly, the timeframe for the incurrence of contract costs to the receipt of payments from clients in such projects may take up to approximately 8 to 9 months.

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There is generally no specific clause in relation to price adjustment in our service agreement with construction contractors. In respect of contracts directly awarded by Government to us, there is usually a clause in the service contracts which allows annual price adjustment to our service fees with reference to the overall inflation level according to official statistics of the Government.

Variation orders (if applicable)

Subject to the terms and conditions of the contract, our clients may discuss with us on proposed additions or modifications in the scope of our services throughout the implementation of the projects. We may accept clients' requests for variation in the scope of services on the basis that a supplemental quotation for additional fee is agreed upon. Such additional fee is generally calculated based on pre-agreed hourly rates charged by our personnel involved as set out in the service contract. For each of FY2016, FY2017 and the three months ended 31 March 2018, our revenue recognised from variation orders amounted to HK\$19.6 million, HK\$28.4 million and HK\$7.0 million, respectively. According to the F&S Report, it is a common practice in the engineering consultancy market for main contractors or Government authorities to place variation orders with their engineering consultants throughout various stages of the developments.

Insurance

Pursuant to the service contract, we may be required to maintain professional indemnity insurance for a certain amount to meet any claims that may be made in respect of the services or any part thereof provided by us in the project.

Termination

In general, our clients may suspend or terminate our service contract by written notice with a specified period. Upon suspension or termination of the service agreement, we shall be paid all fees and expenses incurred up to the date of such suspension or termination.

(B) Other ancillary services

In respect of our deployment service to Government authority, the service contracts typically set out (i) the qualifications and experience of the personnel required by the Government authority; (ii) our scope of services; (iii) term of the service agreement; and (iv) schedule of fees. A fixed rate is generally charged by us on a monthly basis for each personnel deployed by us.

In respect of our advisory services, our service contract typically sets out (i) our scope of services; (ii) schedule of fees; and (iii) the deliverables to be submitted by us according to a specific timeline. We are generally remunerated with a fixed lump sum which is to be paid by stages upon our achievement of payment milestones set out in the service contract.

BUSINESS

Top clients

For each of FY2016, FY2017 and the three months ended 31 March 2018, the percentage of our total revenue attributable to our top client amounted to approximately 7.2%, 10.7% and 14.6% respectively, while the percentage of our total revenue attributable to our top five clients combined amounted to approximately 29.9%, 36.7% and 39.9%, respectively.

FY2016

Rank	Client	Principal business activities	Year of commencement of business relationship	Typical credit terms and payment method	Revenue derived from the client	
					HK\$'000	%
1	Client A	Subsidiaries of a company listed in Hong Kong which is principally engaged in undertaking construction and maintenance projects in Hong Kong and construction projects in Macau	Since 2007	60 days; by cheque	5,125	7.2
2	Client B	A Government department responsible for public road affairs	Since 2007	28 days; by bank transfer	5,002	7.0
3	Client C	Subsidiary of a PRC-based transportation infrastructure group listed in Hong Kong and on the Shanghai Stock Exchange	Since 2006	30-60 days; by cheque	4,350	6.1
4	Client D	A Government department responsible for civil engineering works	Since 2009	28 days; by bank transfer	3,853	5.4
5	Client E	Subsidiaries of a company listed in Hong Kong which specialises in civil engineering, building construction and environmental construction in Hong Kong	Since 2009	30 days; by cheque	2,962	4.2
Top five clients combined					21,292	29.9
All other clients					<u>50,021</u>	<u>70.1</u>
Total revenue					<u><u>71,313</u></u>	<u><u>100.0</u></u>

BUSINESS

FY2017

Rank	Client	Principal business activities	Year of commencement of business relationship	Typical credit terms and payment method	Revenue derived from the client	
					HK\$'000	%
1	Client F	A PRC-based comprehensive ecological management company engaging in construction and other services ancillary to environmental protection works; subsidiary of a PRC state-owned enterprise	Since 2016	60 days; by bank transfer	9,196	10.7
2	Client B	A Government department responsible for public road affairs	Since 2007	28 days; by bank transfer	7,069	8.2
3	Client C	Subsidiary of a PRC-based transportation infrastructure group listed in Hong Kong and on the Shanghai Stock Exchange	Since 2006	60 days; by cheque	5,765	6.7
4	Client A	Subsidiaries of a company listed in Hong Kong which is principally engaged in undertaking construction and maintenance projects in Hong Kong and construction projects in Macau	Since 2007	60 days; by cheque	5,176	6.0
5	Client G	Subsidiaries of a Hong Kong construction contractor, which is jointly owned by a Hong Kong listed company engaged in engineering and property-related services, and infrastructure developments, and a Hong Kong listed company engaged in hospitality, entertainment and construction services	Since 2008	60 days; by cheque	4,373	5.1
Top five clients combined					31,579	36.7
All other clients					<u>54,642</u>	<u>63.3</u>
Total revenue					<u><u>86,221</u></u>	<u><u>100.0</u></u>

BUSINESS

Three months ended 31 March 2018

Rank	Client	Principal business activities	Year of commencement of business relationship	Typical credit terms and payment method	Revenue derived from the client	
					HK\$'000	%
1	Client B	A Government department responsible for public road affairs	Since 2007	28 days; by bank transfer	3,031	14.6
2	Client D	A Government department responsible for civil engineering works	Since 2009	28 days; by bank transfer	2,076	10.0
3	Client L	A government department responsible for public housing development	Since 2013	28 days; by cheque	1,160	5.6
4	Client J	A joint venture formed by a construction company listed on the Taiwan Stock Exchange and Client A	Since 2015	60 days; by cheque	1,024	4.9
5	Client E	Subsidiaries of a company listed in Hong Kong which specialises in civil engineering, building construction and environmental construction in Hong Kong	Since 2009	21-60 days; by cheque	1,002	4.8
Top five clients combined					8,293	39.9
All other clients					<u>12,516</u>	<u>60.1</u>
Total revenue					<u><u>20,809</u></u>	<u><u>100.0</u></u>

As at the Latest Practicable Date, save for an insignificant amount of shares in Client A, which is a company whose shares are listed on the Stock Exchange, held for passive investment purpose from time to time, none of our Directors, their close associates or any Shareholders who owned more than 5% of the number of the issued shares of our Company as at the Latest Practicable Date had any interest in any of our top five clients during the Track Record Period.

PRICING STRATEGY

Our pricing is generally determined based on certain mark-up over our estimated costs. We estimate our costs to be incurred in a project to determine our tender price and there is no assurance that the actual amount of costs would not exceed our estimation during the performance of our projects. Please refer to the paragraph headed “Risk factors – Any significant cost overruns may materially and adversely affect our business operation and financial performance” in this prospectus for further details of the associated risks in this regard.

Pricing of our services is determined on a case-by-case basis having regard to various factors, which generally include (i) the scope of services; (ii) the estimated amount of time required and the personnel to be involved; (iii) the nature and complexity of the project; (iv) background and credibility of the clients; (v) the availability of our manpower and resources; (vi) the duration of the projects; (vii) any subconsultancy services which are expected to be necessary; and (viii) the prevailing market conditions.

In order to minimise the risk of inaccurate estimate and cost overrun, the pricing of our services are overseen by our executive Directors, whose background and experience are disclosed in the section headed “Directors and senior management” in this prospectus, based on our pricing strategy described in the following paragraphs.

In order to prevent the recurrence of cost overrun in light of the Tai O Project as mentioned in the paragraph headed “Projects undertaken during the Track Record Period – Loss making project during the Track Record Period” above in this section, our Group has adopted the following enhanced measures to minimise the potential risk of cost overruns:

- (i) a cost budget is prepared for each project which sets out the cost target. Such cost budget is formulated by our project management team, subject to approval by our finance, accounting and administration department and our executive Directors. Implementation of our project is carried out in accordance with the cost budget under the supervision of our project managers; and
- (ii) actual expenses incurred and cash flow status is monitored by the project management team on an ongoing basis. Actual expenses incurred in a project is reported by the project managers to our executive Directors. Revisions to cost budget, which requires approval from our executive Directors, may be made to control the cost target of the project. Such revisions shall (i) identify the causes of the increase in the cost of the project; and (ii) set out the measures to be taken to control the cost of the project.

BUSINESS

SALES AND MARKETING

During the Track Record Period, we secured all our new businesses through direct invitations for tender by clients. Our Directors consider that due to our proven track record and our relationship with our existing clients, we are able to leverage on our existing client base and our reputation in the engineering consultancy service industry in Hong Kong such that we do not rely heavily on marketing activities other than liaising with existing and potential clients from time to time for relationship building and management. Going forward, with a view to enhancing our reputation and attending to market development, we intend to hire one marketing staff who will be responsible for (i) coordinating our marketing activities; and (ii) promoting our business to construction contractors and other types of clients such as property developers in Hong Kong.

Our corporate website serves as a marketing platform which enables our clients to have a better understanding of our corporate profiles. During the Track Record Period, we have also provided sponsorships for industry-related seminars and charity functions which gave us exposure to other professionals in the engineering industry. For FY2016, FY2017 and the three months ended 31 March 2018, we incurred marketing expenses of approximately HK\$0.4 million, HK\$0.2 million and HK\$34,000, respectively.

Seasonality

Our Directors believe that the engineering consultancy service industry in Hong Kong does not exhibit any significant seasonality as engineering consultancy services related to infrastructure developments take place throughout the year in Hong Kong based on the experience of our executive Directors.

OUR SUBCONSULTANTS

Characteristics of our subconsultants

Depending on the scope of our services, we have from time to time engaged subconsultants of various professions, including Registered Structural Engineers, Registered Geotechnical Engineers, Authorised Persons, environmental specialist, electrical and mechanical engineers, architects and surveyors, to provide technical advice on (i) our investigation and feasibility studies; and (ii) our infrastructure designs and plans. For FY2016, FY2017 and the three months ended 31 March 2018, we incurred subconsultancy fees of approximately HK\$10.1 million, HK\$14.4 million and HK\$2.7 million, representing approximately 23.9%, 28.3% and 22.4% of our total cost of services, respectively. Our subconsultants generally grant us a credit term of 0 to 30 days. We generally settle their payments by cheque or bank transfer.

During the Track Record Period, we did not experience any material shortage or delay for the professional services that we required from our subconsultants. Our Directors consider that we are generally able to pass on any substantial increase in subconsultancy fees to our clients as we generally take into account our overall cost of providing our services to clients when determining our pricing.

BUSINESS

Principal terms of engagement

We have engaged our subconsultants on a project-by-project basis and have not committed to any minimum purchase amount with our subconsultants. The salient terms of our engagements with subconsultants are summarised as follows:

Scope of services	:	The subconsultancy agreement generally sets out the scope of services to be provided by our subconsultants.
Duration	:	The subconsultancy agreement generally sets out the estimated commencement date and completion date of the services.
Payment terms	:	The service fee and payment schedule for our subconsultants are set out in the subconsultancy agreement. Our subconsultants usually charge us a fixed rate which is payable by stages based on submission of the required deliverables to us.
Insurance	:	We may require our subconsultants to maintain professional indemnity insurance to cover their own and related liability to us and to meet any claims of whatsoever nature.
Termination	:	The subconsultancy agreement shall be terminated or suspended by us in writing for a specified notice period, or if the service agreement between our Group and our client for the relevant project is suspended or terminated.

Top subconsultants

For each of FY2016, FY2017 and the three months ended 31 March 2018, the percentage of subconsultancy fees attributable to our largest subconsultant amounted to approximately 31.2%, 15.3% and 25.3% of our total subconsultancy fees respectively, while the percentage of subconsultancy fees attributable to our five largest subconsultants amounted to approximately 58.1%, 43.6% and 77.1%, respectively.

BUSINESS

The following tables set out information of our top five subconsultants for each of FY2016, FY2017 and the three months ended 31 March 2018:

FY2016

Rank	Subconsultant	Principal business activities	Services provided by the subconsultant	Year of commencement of business relationship	Typical credit terms and payment method	Subconsulting charges	
						HK\$'000	%
1	Subconsultant A	A construction consultancy company specialising in highway designs	Consultancy on highway design	Since 2014	Payment upon presentation of invoices; by cheque	3,141	31.2
2	Subconsultant B	A construction consultancy company specialising in geotechnical works	Consultancy on geotechnical works	Since 2006	Payment upon presentation of invoices; by cheque	788	7.8
3	Subconsultant C	A company engaged in, among others, traffic surveying works	Consultancy on traffic surveying	Since 2015	Payment upon presentation of invoices; by cheque	771	7.7
4	Subconsultant D	A construction consultancy company specialising in landfill site works	Consultancy on landfill site works	Since 2016	Payment upon presentation of invoices; by cheque	681	6.8
5	Subconsultant E	A construction consultancy company based in the United Kingdom specialising in project and cost management	Consultancy on reviewing contracts related to infrastructure development projects	Since 2013	Payment upon presentation of invoices; by bank transfer	462	4.6
				Top five subconsultants combined		5,843	58.1
				All other subconsultants		4,215	41.9
				Total subconsultancy fees		<u>10,058</u>	<u>100.0</u>

BUSINESS

FY2017

Rank	Subconsultant	Principal business activities	Services provided by the subconsultant	Year of commencement of business relationship	Typical credit terms and payment method	Subconsulting charges	
						HK\$'000	%
1	Subconsultant C	A company engaged in, among others, traffic surveying works	Consultancy on traffic surveying	Since 2015	Payment upon presentation of invoices; by cheque	2,204	15.3
2	Subconsultant F	An engineering and design company, subsidiary of an engineering and infrastructure advisory company based in Australia	Consultancy on hydraulic design	Since 2016	30 days; by cheque	1,125	7.8
3	Subconsultant G	An international architectural and interior design company based in Hong Kong	Consultancy on design and architectural works	Since 2016	Payment upon presentation of invoices; by cheque	1,110	7.7
4	Subconsultant H	A global engineering company specialising in the infrastructure and building sectors	Consultancy on electrical and mechanical design	Since 2016	Payment upon presentation of invoices; by cheque	980	6.8
5	Subconsultant D	A construction consultancy company specialising in landfill site works	Consultancy on landfill site works	Since 2016	Payment upon presentation of invoices; by cheque	861	6.0
				Top five subconsultants combined		6,280	43.6
				All other subconsultants		8,110	56.4
				Total subconsultancy fees		14,390	100.0

BUSINESS

Three months ended 31 March 2018

Rank	Subconsultant	Principal business activities	Services provided by the subconsultant	Year of commencement of business relationship	Typical credit terms and payment method	Subconsulting charges <i>HK\$'000</i> %	
1	Subconsultant I	A construction consultancy company specialising in environmental impact assessment	Consultancy on environmental impact assessment	Since 2013	Payment upon presentation of invoices; by cheque	675	25.3
2	Subconsultant C	A company engaged in, among others, traffic surveying works	Consultancy on traffic survey	Since 2015	Payment upon presentation of invoices; by cheque	539	20.2
3	Subconsultant J ^(Note)	A construction consultancy company specialising in floodlight mast design	Consultancy on the calculation and drawings of floodlight mast design	Since 2017	Payment upon presentation of invoices; by cheque	320	12.0
4	Subconsultant K	A construction consultancy company specialising in environmental impact assessment	Consultancy on environmental impact assessment	Since 2014	Payment upon presentation of invoices; by cheque	315	11.8
5	Subconsultant D	A construction consultancy company specialising in landfill site works	Consultancy on landfill site works	Since 2016	Payment upon presentation of invoices; by cheque	208	7.8
Top five subconsultants combined						2,057	77.1
All other subconsultants						<u>608</u>	<u>22.9</u>
Total subconsultancy charges						<u><u>2,665</u></u>	<u><u>100.0</u></u>

Note: Subconsultant J was also one of our clients during the Track Record Period, contributing approximately nil, HK\$276,000 and nil for each of FY2016, FY2017 and the three months ended 31 March 2018, respectively.

Save as disclosed above, none of our Directors, their close associates or any Shareholders who owned more than 5% of the number of issued shares of our Company as at the Latest Practicable Date had any interest in any of the top five subconsultants of our Group during the Track Record Period.

Basis of selecting our subconsultants

In selecting our subconsultants, we take into account various factors, including service quality in previous projects with us, qualifications, delivery time, track record in handling similar projects, industry experience and the service fees charged by them. In order to maintain the quality of our services, the professional services provided by our subconsultants are subject to stringent quality control measures. For further details, please refer to the paragraph headed “Quality control” in this section.

Control over subconsultants

We maintain a list of approved subconsultants whom we have engaged in the past which is reviewed and revised by us from time to time. For each of FY2016, FY2017 and the three months ended 31 March 2018, we have engaged 42, 44 and 14 subconsultants, respectively. We require our subconsultants to submit and inform us timely of the status of their professional qualifications in order to be retained on our list of approved subconsultants.

We remain accountable to our clients for the performance and quality of service rendered by our subconsultants. In general, deliverables provided by our subconsultants are reviewed and monitored by our project management team on a regular basis based on our quality management system, which is in conformity with the requirements of ISO 9001.

QUALITY CONTROL

We believe that our commitment to quality services is crucial to our reputation and continual success. We place strong emphasis on service quality by implementing a comprehensive quality control system. Mannings obtained certification in 2006 certifying its quality management to be in conformance with the requirements of ISO 9001 standard. In conformity with the ISO 9001 standards, our Group has developed and implemented a quality manual which stipulates procedures and control in relation to quality management system, proper filing, communication with clients, revision on quality manual and procedures, employees’ training, internal and external audits, evaluation and procurement of subconsultancy services and non-conforming works management.

The quality control measures adopted by our Group include the followings:

Collecting feedbacks from clients

Our executive Directors and senior management team regularly communicate with and collect feedbacks from our clients. We conduct survey with our clients on an annual basis so as to keep ourselves abreast of the latest industry trend and assess their satisfaction level with our services. We would follow up and respond to the feedbacks from our clients in a timely manner with a view to maintain and continually improve our service standard. Throughout the project implementation, we may be invited to attend progress meetings held by our clients from time to time to resolve any issues identified in the projects.

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Designation of project managers

A project management team is assigned for each project based on the project nature and the relevant qualifications and experiences required. The project management team is headed by the project manager who is responsible for the overall management of the project, including liaising and communicating with our clients, coordinating and providing guidance to the other team members, overseeing the progress, budget and quality of services rendered. Depending on our clients' requests, we are generally required to submit monthly progress reports to our clients throughout the project implementation. Our monthly progress reports are prepared by the project management team which will report on the project status and any issue identified throughout the project. After the review and endorsement by our project managers, the monthly progress reports will then be submitted to our clients for record.

Monitoring and review of staff performance

The designs and plans prepared by our engineering staff are required to be reviewed by our project managers before they are submitted to our clients. We conduct annual appraisal on our staff performance and salary levels and provide feedbacks on their quality of works. Further, our project managers have from time to time monitored the allocation of works among our engineering staff in order to ensure that they have adequate time to properly attend to their assigned matters.

Supervising the service quality of subconsultants

Project manager is responsible for reviewing the deliverables provided by our subconsultants to ensure they conform with our requirements. If it deviates from our requirements, we would request our subconsultants to fine-tune and revise until we are satisfied with their deliverables.

INSURANCE

During the Track Record Period, we have taken out the insurance policies as set out in the following paragraphs. Our Directors consider that our insurance coverage is adequate and consistent with the industry norm having regard to our current operations and the prevailing industry practice. For each of FY2016, FY2017 and the three months ended 31 March 2018, our total insurance premiums incurred were approximately HK\$0.9 million, HK\$1.0 million and HK\$0.2 million, respectively.

Professional indemnity insurance

During the Track Record Period, we were required by some of our clients to secure a minimum coverage of professional indemnity insurance. We have taken out professional indemnity insurance to cover our potential liability for any loss or damage suffered by our clients arising from the negligent act, error or omission committed or alleged to have been committed by our Group, our employees or our subconsultants for whose acts, errors or omissions we are legally liable. If so requested by our clients, we may raise our professional indemnity insurance coverage in order to fulfil the specific requirements in the service contracts.

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Employees' compensation insurance

Pursuant to section 40 of the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), all employers are required to take out insurance policies to cover their liabilities both under the Employees' Compensation Ordinance and at common law for injuries at work in respect of all their employees (including full-time and part-time employees).

During the Track Record Period and up to the Latest Practicable Date, our Group has maintained employee's compensation insurance policies pursuant to the Employee's Compensation Ordinance.

Other insurance coverage

During the Track Record Period, our Group has also maintained medical insurance for our full-time employees. We have also taken our insurance in respect of our vehicles and office properties.

Uninsured risks

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

Save as disclosed in the paragraph headed "Occupational health and work safety – Accident involving our employee during the Track Record Period" in this section, we had not made and did not make or had not been the subject of any material insurance claim during the Track Record Period and up to the Latest Practicable Date.

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EMPLOYEES

Number of employees

As at the Latest Practicable Date, we had a total of 264 full-time employees (including our two executive Directors but excluding our three independent non-executive Directors). All our employees were stationed in Hong Kong. The following table sets out a breakdown of our employees by function:

	As at 31 December 2016	As at 31 December 2017	As at 31 March 2018	As at the Latest Practicable Date
Management	9	9	10	10
Engineering	45	51	52	61
Drafting	27	24	22	18
Finance, accounting and administration	9	7	8	8
Resident site staff <i>(Note)</i>	<u>118</u>	<u>184</u>	<u>167</u>	<u>167</u>
	<u>208</u>	<u>275</u>	<u>259</u>	<u>264</u>

Note: In respect of projects awarded to us by the Government, we may be required to recruit and employ a specified number of individuals with appropriate qualifications as resident site staff to perform site supervision and maintain proper records of site activities. The resident site staff are employed by us on contract basis. Our terms of employment with the resident site staff are generally subject to the duration and contract terms of the Government projects to which the relevant resident site staff are assigned. Pursuant to the contract terms, we are generally entitled to be reimbursed by the Government on a monthly basis for our actual expenditure paid to those resident site staff employed by us.

Training and recruitment policies

We generally recruit our employees from the open market. We intend to use our best effort to attract and retain appropriate and suitable personnel to serve our Group. Our Group assesses the available human resources on a continuous basis and determines whether additional personnel is required to cope with our business development from time to time.

We provide on-the-job trainings which covers various areas of our operations and internal control system to our employees to improve their skills and enhance their technical and industry knowledge. In-house seminars and external training courses are also arranged from time to time for our employees on different specialised fields of engineering. We also offer training scheme (recognised by the HKIE as Scheme A Training) for graduate engineers recruited by us to facilitate their application for corporate membership of HKIE in the relevant engineering discipline.

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Staff costs and remuneration policy

In general, our Group determines employees' salaries based on their qualifications, position and seniority. In order to attract and retain valuable employees, our Group reviews the performance of our employees annually which will be taken into account in annual salary review and promotion appraisal.

Our Group incurred staff costs (including directors, and chief executive's remuneration, and salaries, wages and other benefits) of approximately HK\$39.6 million, HK\$45.1 million and HK\$11.0 million for FY2016, FY2017 and the three months ended 31 March 2018, respectively.

Employee relationship

Our Directors believe that we have maintained a good relationship with our employees. We have not experienced any significant problems with our employees or any disruption to our operations due to labour disputes nor have we experienced any material difficulties in the recruitment and retention of experienced core staff or skilled personnel during the Track Record Period. There has not been any trade union set up for our employees.

LICENCES AND PERMITS

As advised by the Hong Kong Legal Counsel, in respect of our provision of engineering consulting services, we are not required to obtain any licences, permits or approvals other than the business registration licence.

MAJOR QUALIFICATIONS

As at the Latest Practicable Date, Mannings was one of the engineering consultants on the Consultants' Services Directory maintained by the EACSB. The EACSB's jurisdiction covers consultancies in the following fields: civil engineering, geotechnical engineering, structural engineering (excluding Architectural Services Department), mechanical engineering, electrical engineering and electronics, development, planning, transportation, water resources, environmental planning and engineering, and chemical engineering. The Consultants' Services Directory is made available to different Government authorities for selection and engagement of suitable engineering and associated consultants to carry out Government projects. For further details, please refer to the section headed "Regulatory overview – (3) Guidelines on the selection of consultants for Government projects" in this prospectus.

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As at the Latest Practicable Date, our employees possessed the following major qualifications:

Qualifications	Number of employees with the relevant qualification
Registered Professional Engineers	5
Chartered Engineers	14
Members of HKIE	12
Members of ICE	12
Members of IStructE	5
Members of CIHT	9

Note: Some of our employees possess more than one of the above qualifications concurrently.

ENVIRONMENTAL COMPLIANCE

Due to the nature of services we provide as an engineering consultant, we are not subject to any environmental laws or regulations in our operations. Our Group has not incurred any cost in complying with applicable environmental laws and regulations during the Track Record Period and up to the Latest Practicable Date.

OCCUPATIONAL HEALTH AND WORK SAFETY

We place emphasis on occupational health and work safety and provide safety training to our staff covering topics such as our safety measures. Our Group has put in place an internal safety manual which is reviewed from time to time to incorporate the best practices and to address and improve specific areas of our safety management system. We require our employees and our subconsultants to follow our workplace safety rules as set out in the safety manual which include:

- staff is not allowed to enter a work site unless they are a corporate member of Hong Kong Institution of Engineers or they possess the construction industry safety training certificate (also known as the green card); and
- staff is required to observe the occupational health and safety measures and policy of the main contractor of the relevant work site.

Accident involving our employee during the Track Record Period

We recorded an accident involving an employee, namely a resident site staff, of our Group during the Track Record Period and up to the Latest Practicable Date. The employee tripped over and suffered injury to his right hand while he was on his way to a worksite on 17 October 2016. The aforesaid accident was reported to the Labour Department and subsequently settled in the amount of approximately HK\$160,000. As advised by the Hong Kong Legal Counsel, the aforesaid settlement amount and our liability in respect of the accident are covered under our employees' compensation insurance policy. Save as disclosed

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above, during the Track Record Period and up to the Latest Practicable Date, our Group did not experience any significant accidents involving our employees, including but not limited to our resident site staff.

RESEARCH AND DEVELOPMENT

During the Track Record Period and as at the Latest Practicable Date, we did not engage in any research and development activity.

PROPERTIES

Leased properties

As at the Latest Practicable Date, we did not own any property and we leased the following properties in Hong Kong for our operations, details of which are set out as follows:

Address	Landlord	Gross floor area	Usage	Key terms of tenancy
Rooms 509 and 510, 5th Floor, Winning Commercial Building, 46 and 48 Hillwood Road, Tsim Sha Tsui, Kowloon, Hong Kong	Mr. Cheung <i>(Note 1)</i>	444 sq.ft.	For general office use	Monthly rental of HK\$8,500 (which is to be increased by 7% annually) with tenancy period from 1 January 2010 to 31 December 2020 <i>(Note 2)</i>
Room 1501, 15th Floor, Winning Commercial Building, 46 and 48 Hillwood Road, Tsim Sha Tsui, Kowloon, Hong Kong	Mr. Cheung <i>(Note 1)</i>	283 sq.ft.	For general office use	Monthly rental of HK\$7,000 (which is to be increased by 7% annually) with tenancy period from 1 April 2012 to 31 March 2022 <i>(Note 2)</i>
Rooms 503 and 504, 5th Floor, Winning Commercial Building, 46 and 48 Hillwood Road, Tsim Sha Tsui, Kowloon, Hong Kong	Ms. Chiu <i>(Note 1)</i>	620 sq.ft.	For general office use	Monthly rental of HK\$10,000 (which is to be increased by 7% annually) with tenancy period from 1 January 2010 to 31 December 2020 <i>(Note 2)</i>
Rooms 505 and 506, 5th Floor, Winning Commercial Building, 46 and 48 Hillwood Road, Tsim Sha Tsui, Kowloon, Hong Kong	Head Concept Limited <i>(Note 1)</i>	491 sq.ft.	For general office use	Monthly rental of HK\$7,500 (which is to be increased by 7% annually) with tenancy period from 1 January 2010 to 31 December 2020 <i>(Note 2)</i>
Rooms 706 to 710, 7th Floor, Winning Commercial Building, 46 and 48 Hillwood Road, Tsim Sha Tsui, Kowloon, Hong Kong	Jetek Co., Limited <i>(Note 1)</i>	1,296 sq.ft.	For general office use	Monthly rental of HK\$40,000 (which is to be increased by 7% annually from 1 January 2018) with tenancy period from 1 December 2016 to 30 November 2026 <i>(Note 2)</i>

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Address	Landlord	Gross floor area	Usage	Key terms of tenancy
Room 1502, 15th Floor, Winning Commercial Building, 46 and 48 Hillwood Road, Tsim Sha Tsui, Kowloon, Hong Kong	Jetek Co., Limited <i>(Note 1)</i>	185 sq.ft.	For general office use	Monthly rental of HK\$6,500 (which is to be increased by 7% annually) with tenancy period from 1 May 2014 to 30 April 2024 <i>(Note 2)</i>
Rooms 501 and 502, 5th Floor, Winning Commercial Building, 46 and 48 Hillwood Road, Tsim Sha Tsui, Kowloon, Hong Kong	Manita Company Limited <i>(Note 1)</i>	492 sq.ft.	For general office use	Monthly rental of HK\$8,000 (which is to be increased by 7% annually) with tenancy period from 1 January 2010 to 31 December 2020 <i>(Note 2)</i>
Rooms 507 and 508, 5th Floor, Winning Commercial Building, 46 and 48 Hillwood Road, Tsim Sha Tsui, Kowloon, Hong Kong	Mega Ways Limited <i>(Note 1)</i>	569 sq.ft.	For general office use	Monthly rental of HK\$9,000 (which is to be increased by 7% annually) with tenancy period from 1 January 2010 to 31 December 2020 <i>(Note 2)</i>
Room 605, 6th Floor, Winning Commercial Building, 46 and 48 Hillwood Road, Tsim Sha Tsui, Kowloon, Hong Kong	Independent third party	233 sq.ft.	For general office use	Monthly rental of HK\$9,800 with tenancy period from 1 July 2017 to 30 June 2019
Room 606, 6th Floor, Winning Commercial Building, 46 and 48 Hillwood Road, Tsim Sha Tsui, Kowloon, Hong Kong	Independent third party	233 sq.ft.	For general office use	Monthly rental of HK\$9,800 with tenancy period from 1 July 2016 to 30 June 2019

Notes:

- Each of Mr. Cheung, Ms. Chiu, Jetek Co., Limited, Head Concept Limited, Manita Company Limited and Mega Ways Limited is a connected person of our Company. Please refer to section headed “Connected transactions” in this prospectus for further details.
- The current tenancy agreement will be terminated and superseded by a new tenancy agreement for a term of three years from the Listing Date. For further information, please refer to the paragraph headed “Connected Transactions – Fully exempt continuing connected transactions”.

As at 31 March 2018, our Group had no single property with a carrying amount of 15% or more of our Group’s total assets. On this basis, our Group is not required by Rule 8.01A of the GEM Listing Rules to include any valuation report in this prospectus. Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in respect of the requirements for a valuation report with respect to interests in land or buildings.

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INTELLECTUAL PROPERTIES

As at the Latest Practicable Date, our Group is the registered owner of two domain names and has applied for the registration of a trademark in Hong Kong. For further information, please refer to the section headed “Statutory and general information – Further information about the business of our Group – 8. Intellectual property rights of our Group” in Appendix IV to this prospectus.

As at the Latest Practicable Date, we were not aware of any material infringements (i) by us of any intellectual property rights owned by third parties, or (ii) by any third parties of any intellectual property rights owned by us. As at the Latest Practicable Date, we were also not aware of any pending or threatened claims against us or against any members of our Group in relation to any material infringement of intellectual property rights of third parties.

MARKET AND COMPETITION

According to the F&S Report, driven by the strong demand for infrastructure in Hong Kong, the capital works reserve fund increased from HK\$66.5 billion in 2012 to HK\$87.5 billion in 2016, with a CAGR of 7.1%. The estimated revenue of infrastructure engineering consultancy market in Hong Kong increased from HK\$2,025.3 million in 2012 to HK\$2,908.8 million in 2017, representing a CAGR of 7.5%, primarily due to the infrastructure developments associated with accelerated urban renewal and rising housing supply, and increasingly stringent engineering requirements, which drives the needs for infrastructure engineering consultancy. The sustained investment in infrastructure would continue to boost the demand for civil engineering and traffic engineering services. The revenue of infrastructure engineering consultancy in Hong Kong is forecasted to reach HK\$4,112.4 million in 2022, at a CAGR of 7.2% from 2018 to 2022.

LITIGATION AND CLAIMS

As at the Latest Practicable Date, we were not engaged in any litigation, arbitration or claim of material importance. In addition, our Directors are not aware of any litigation, arbitration or claim pending or threatened by or against us which may have a material adverse effect on our business, financial condition or results of operations.

NON-COMPLIANCE

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group did not have any non-compliance that is material or systemic in nature.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

Key risks relating to our business are set out in the section headed “Risk factors” in this prospectus. The following sets out the key measures adopted by our Group under our risk management and internal control system for managing the more particular operational and financial risks relating to our business operation:

(i) Risk of cost overruns

We estimate our costs to be incurred in a project to determine our tender price and there is no assurance that the actual amount of costs we incur would not exceed our estimation during the course of project implementation. For details of our measures on minimising the risk of cost overruns, please refer to the paragraph headed “Pricing strategy” above in this section.

(ii) Credit risk management

We are subject to risks in relation to the collectability of our trade receivables, details of which are summarised in the section headed “Risk factors – We are subject to credit risk in relation to the collectability of our trade receivables”. For the purpose of mitigating our exposure to credit risk, our finance, accounting and administration department is responsible for conducting individual credit evaluations on our clients on a regular basis. Prior to accepting engagements with new clients, our staff would conduct background check on the potential client in order to assess their credibility. While for existing clients, our accounting staff would review the client’s payment record in order to assess its credibility.

We generally grant our clients a credit term of 0 to 60 days. As at 31 December 2016 and 2017 and 31 March 2018, we recorded trade receivables of approximately HK\$18.5 million, HK\$19.8 million and HK\$15.6 million respectively, of which approximately HK\$6.2 million, HK\$10.8 million and HK\$5.2 million respectively have been past due but not impaired. For each of FY2016, FY2017 and the three months ended 31 March 2018, our average trade receivables turnover days were approximately 88 days, 81 days and 77 days respectively.

Our accounting staff is responsible for preparing trade receivables ageing report and monthly statements summarising the outstanding amount of trade receivables for the review of our financial controller. We generally conduct follow-up calls for payment past due over 30 days and may issue written notices to our clients for payment past due over 90 days. For payment past due over 365 days, our executive Directors would consider if any further follow-up procedures such as legal actions should be adopted.

(iii) Liquidity risk management

There may be time lags between (i) making payment to our staff and subconsultants; and (ii) receiving payment from our clients when undertaking our consultancy projects, resulting in possible cash flow mismatch. In order to manage our liquidity position in view of the possible cash flow mismatch associated with undertaking contractual works, we have adopted the following measures:

- our financial controller is responsible for preparing monthly cash flow forecast and monthly financial report in order to monitor our current and expected liquidity requirement and to ensure that we maintain sufficient financial resources to meet our liquidity requirements; and
- we closely monitor our working capital to ensure that our financial obligations can be fulfilled when due, by (i) ensuring stable bank balances and cash for payment of our short-term working capital needs; (ii) performing monthly review of our trade receivables and aging analysis; (iii) following up closely to ensure prompt receipt of payment due from our clients; and (iv) performing monthly review of our trade payables and aging analysis to ensure that payments to our subconsultants are made on a timely basis.

(iv) Risk relating to subconsultants' performance

Please refer to the paragraphs headed “Our subconsultants – Basis of selecting our subconsultants” and “Our subconsultants – Control over subconsultants” above in this section.

(v) Regulatory risk management

We keep ourselves abreast of any changes in Government policies, regulations, and licensing requirements in relation to our business operations. We will ensure that any changes of the above are closely monitored and communicated to our management team for proper implementation and compliance.

(vi) Quality control system

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

(vii) Corporate governance measures

Our Company will comply with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. We have established three board committees, namely, the Audit Committee, the Nomination Committee and the Remuneration Committee, with respective terms of reference in compliance with the Corporate Governance Code. For details, please refer to the section headed “Directors and senior management – Board committees” in this prospectus. In particular, one of the primary duties of our Audit Committee is to review our financial controls, internal control and risk management systems.

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Our Audit Committee consists of three independent non-executive Directors, whose backgrounds and profiles are set out in the section headed “Directors and senior management” in this prospectus.

In addition, to avoid potential conflicts of interest, we will implement corporate governance measures as set out in the section headed “Relationship with Controlling Shareholders – Corporate governance measures to safeguard the interest of shareholders” in this prospectus.

Our Directors will review our corporate governance measures and our compliance with the Corporate Governance Code each financial year and comply with the “comply or explain” principle in our corporate governance reports to be included in our annual reports after Listing.

CONNECTED TRANSACTIONS

OVERVIEW

Pursuant to Chapter 20 of the GEM Listing Rules, our Directors and chief executive officer or those of our subsidiaries, any of their associates and any person who was our Director or a director of our subsidiaries, any of their associates within 12 months preceding the Listing Date will become a connected person of our Company upon the Listing. Upon the Listing, our transactions with such connected persons will constitute connected transactions under Chapter 20 of the GEM Listing Rules.

Our Directors confirm that the following transactions which will continue after the Listing will constitute continuing connected transactions for us under Chapter 20 of the GEM Listing Rules.

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Mannings (the principal operating subsidiary of our Group) entered into eight tenancy agreements (collectively, the “**Tenancy Agreements**”) with the following connected persons of our Company, all of whom are the landlord(s) under each of the Tenancy Agreements. The relationship between our Company and the connected persons are set out below:

Relationship with Mr. Cheung

Mr. Cheung is a Director and Controlling Shareholder. Accordingly, he is a connected person of our Company under the GEM Listing Rules.

Relationship with Ms. Chiu

Ms. Chiu is a director of Mannings. She is also the spouse of Mr. Cheung. Therefore, she is an associate (as defined in Rule 20.10(1) of the GEM Listing Rules) of Mr. Cheung. Accordingly, Ms. Chiu is a connected person of our Company under the GEM Listing Rules.

Relationship with Head Concept Limited

As at the Latest Practicable Date, Head Concept Limited (“**Head Concept**”) is owned by Mr. Cheung as to 51% and Ms. Chiu as to 49%. Accordingly, Head Concept is an associate (as defined in Rule 20.10(1) of the GEM Listing Rules) of Mr. Cheung and Ms. Chiu and thus a connected person of our Company under the GEM Listing Rules.

Relationship with Jetek Co., Limited

As at the Latest Practicable Date, Jetek Co., Limited (“**Jetek**”) is wholly owned by Mr. Cheung. Accordingly, Jetek is an associate (as defined in Rule 20.10(1) of the GEM Listing Rules) of Mr. Cheung and thus a connected person of our Company under the GEM Listing Rules.

CONNECTED TRANSACTIONS

Relationship with Manita Company Limited

As at the Latest Practicable Date, Manita Company Limited (“**Manita**”) is wholly owned by Ms. Chiu. Accordingly, Manita is an associate (as defined in Rule 20.10(1) of the GEM Listing Rules) of Ms. Chiu and thus a connected person of our Company under the GEM Listing Rules.

Relationship with Mega Ways Limited

As at the Latest Practicable Date, Mega Ways Limited (“**Mega Ways**”) is wholly owned by Mr. Cheung’s brother-in-law. Therefore, Mega Ways is a majority-controlled company held by a relative (as defined in Rule 20.19(1) of the GEM Listing Rules) of Mr. Cheung. Accordingly, Mega Ways is a deemed connected person of our Company under the GEM Listing Rules.

The details of each of the Tenancy Agreements are set out below:

Date of agreement	Parties	Premises	Term	Rental and payment terms	Principal use	Historical amount (Note 1) (approximately HK\$'000)		Rental payable by the Group for the period (Note 2) (approximately HK\$'000)					
						FY2016	FY2017	from 1 January 2018 to 31 March 2018	from 1 April 2018 to the date immediately prior to the Listing Date	from the Listing Date to 31 December 2018	from 1 January 2019 to 31 December 2019	from 1 January 2020 to 31 December 2020	from 1 January 2021 to the expiry date
21 August 2018	Manita as landlord and Mannings as tenant (Note 3)	Rooms 501 and 502, 5th Floor, Winning Commercial Building, 46 and 48 Hillwood Road, Tsim Sha Tsui, Kowloon, Hong Kong	Three years from the Listing Date	Monthly rental of HK\$18,200 (which is to be increased by 7% annually)	Office	144	154	41	74	66	223	239	175
21 August 2018	Ms. Chiu as landlord and Mannings as tenant (Note 4)	Rooms 503 and 504, 5th Floor, Winning Commercial Building, 46 and 48 Hillwood Road, Tsim Sha Tsui, Kowloon, Hong Kong	Three years from the Listing Date	Monthly rental of HK\$22,700 (which is to be increased by 7% annually)	Office	180	193	52	93	82	278	298	218
21 August 2018	Head Concept as landlord and Mannings as tenant (Note 5)	Rooms 505 and 506, 5th Floor, Winning Commercial Building, 46 and 48 Hillwood Road, Tsim Sha Tsui, Kowloon, Hong Kong	Three years from the Listing Date	Monthly rental of HK\$18,100 (which is to be increased by 7% annually)	Office	135	145	39	70	65	222	237	174

CONNECTED TRANSACTIONS

Date of agreement	Parties	Premises	Term	Rental and payment terms	Principal use	Historical amount (Note 1) (approximately HK\$'000)		Rental payable by the Group for the period (Note 2) (approximately HK\$'000)					
						FY2016	FY2017	from 1 January 2018 to 31 March 2018	from 1 April 2018 to the date immediately prior to the Listing Date	from the Listing Date to 31 December 2018	from 1 January 2019 to 31 December 2019	from 1 January 2020 to 31 December 2020	from 1 January 2021 to the expiry date
21 August 2018	Mega Ways as landlord and Mannings as tenant (Note 6)	Rooms 507 and 508, 5th Floor, Winning Commercial Building, 46 and 48 Hillwood Road, Tsim Sha Tsui, Kowloon, Hong Kong	Three years from the Listing Date	Monthly rental of HK\$20,900 (which is to be increased by 7% annually)	Office	162	173	46	84	75	256	274	201
21 August 2018	Mr. Cheung as landlord and Mannings as tenant (Note 7)	Rooms 509 and 510, 5th Floor, Winning Commercial Building, 46 and 48 Hillwood Road, Tsim Sha Tsui, Kowloon, Hong Kong	Three years from the Listing Date	Monthly rental of HK\$16,400 (which is to be increased by 7% annually)	Office	153	164	44	79	59	201	215	158
21 August 2018	Jetek as landlord and Mannings as tenant (Note 8)	Rooms 706 to 710, 7th Floor, Winning Commercial Building, 46 and 48 Hillwood Road, Tsim Sha Tsui, Kowloon, Hong Kong	Three years from the Listing Date	Monthly rental of HK\$47,000 (which is to be increased by 7% annually)	Office	40	480	128	231	169	576	616	452
21 August 2018	Mr. Cheung as landlord and Mannings as tenant (Note 9)	Room 1501, 15th Floor, Winning Commercial Building, 46 and 48 Hillwood Road, Tsim Sha Tsui, Kowloon, Hong Kong	Three years from the Listing Date	Monthly rental of HK\$11,100 (which is to be increased by 7% annually)	Office	108	116	29	57	40	136	146	107
21 August 2018	Jetek as landlord and Mannings as tenant (Note 10)	Room 1502, 15th Floor, Winning Commercial Building, 46 and 48 Hillwood Road, Tsim Sha Tsui, Kowloon, Hong Kong	Three years from the Listing Date	Monthly rental of HK\$7,200 (which is to be increased by 7% annually)	Office	87	93	24	46	26	88	94	69
Total:						<u>1,009</u>	<u>1,518</u>	<u>403</u>	<u>734</u>	<u>582</u>	<u>1,980</u>	<u>2,119</u>	<u>1,554</u>

CONNECTED TRANSACTIONS

Notes:

1. Any historical amounts of rental paid by the Group before the commencement of the Tenancy Agreements have been calculated by reference to previous tenancy agreements entered into in respect of the same premises. Greater China Appraisal Limited, a property consultant, is of the opinion that (i) the rentals payable under the previous tenancy agreements in respect of the said Rooms 509 and 510, 5th Floor, Rooms 706 to 710, 7th Floor, together with Room 1501, 15th Floor, Winning Commercial Building are fair and reasonable and consistent with the prevailing market rentals for similar premises; (ii) the rentals payable under the previous tenancy agreements in respect of the said Rooms 501 and 502, 503 and 504, 505 and 506, together with 507 and 508, 5th Floor, Winning Commercial Building, are below market rentals; and (iii) the rental payable under the previous tenancy agreement in respect of the said Room 1502, 15th Floor, Winning Commercial Building is above market rental.
2. The monthly rental paid or payable by Mannings under the Tenancy Agreements were determined after arm's length negotiations between the parties with reference to the then prevailing market conditions and the rental rate of similar properties in the vicinity. Greater China Appraisal Limited, a property consultant, is of the opinion that the monthly rentals under the Tenancy Agreements with each of the connected persons mentioned above are consistent with the prevailing market rentals for similar premises and are on normal commercial terms, fair and reasonable.
3. The tenancy agreement dated 21 August 2018 between Manita as landlord and Mannings as tenant in relation to the leasing of the said premises supersedes the tenancy agreement dated 1 January 2010 (which was terminated with effect from the Listing Date) for the period from 1 January 2010 to 31 December 2020 at a monthly rental of HK\$8,000, increased by 7% annually.
4. The tenancy agreement dated 21 August 2018 between Ms. Chiu as landlord and Mannings as tenant in relation to the leasing of the said premises supersedes the tenancy agreement dated 1 January 2010 (which was terminated with effect from the Listing Date) for the period from 1 January 2010 to 31 December 2020 at a monthly rental of HK\$10,000, increased by 7% annually.
5. The tenancy agreement dated 21 August 2018 between Head Concept as landlord and Mannings as tenant in relation to the leasing of the said premises supersedes the tenancy agreement dated 1 January 2010 (which was terminated with effect from the Listing Date) for the period from 1 January 2010 to 31 December 2020 at a monthly rental of HK\$7,500, increased by 7% annually.
6. The tenancy agreement dated 21 August 2018 between Mega Ways as landlord and Mannings as tenant in relation to the leasing of the said premises supersedes the tenancy agreement dated 1 January 2010 (which was terminated with effect from the Listing Date) for the period from 1 January 2010 to 31 December 2020 at a monthly rental of HK\$9,000, increased by 7% annually.
7. The tenancy agreement dated 21 August 2018 between Mr. Cheung as landlord and Mannings as tenant in relation to the leasing of the said premises supersedes the tenancy agreement dated 1 January 2010 (which was terminated with effect from the Listing Date) for the period from 1 January 2010 to 31 December 2020 at a monthly rental of HK\$8,500, increased by 7% annually.
8. The tenancy agreement dated 21 August 2018 between Jetek as landlord and Mannings as tenant in relation to the leasing of the said premises supersedes the tenancy agreement dated 1 December 2016 (which was terminated with effect from the Listing Date) for the period from 1 December 2016 to 30 November 2026 at a monthly rental of HK\$40,000, increased by 7% annually starting from 1 January 2018.
9. The tenancy agreement dated 21 August 2018 between Mr. Cheung as landlord and Mannings as tenant in relation to the leasing of the said premises supersedes the tenancy agreement dated 1 April 2012 (which was terminated with effect from the Listing Date) for the period from 1 April 2012 to 31 March 2022 at a monthly rental of HK\$7,000, increased by 7% annually.

CONNECTED TRANSACTIONS

10. The tenancy agreement dated 21 August 2018 between Jetek as landlord and Mannings as tenant in relation to the leasing of the said premises supersedes the tenancy agreement dated 1 May 2014 (which was terminated with effect from the Listing Date) for the period from 1 May 2014 to 30 April 2024 at a monthly rental of HK\$6,500, increased by 7% annually.

Given the close relationship between the connected persons as disclosed above and the similar nature of the Tenancy Agreements, the Stock Exchange may aggregate all the Tenancy Agreements pursuant to Rule 20.79, Rule 20.80(1) and Rule 20.81 of the GEM Listing Rules. If all the Tenancy Agreements were aggregated, the applicable percentage ratios by reference to the rental payable would be more than 0.1% but less than 5% with annual total consideration of less than HK\$3,000,000. Accordingly, the Tenancy Agreements constitute *de minimus* continuing connected transactions which are fully exempt from the reporting, announcement and independent shareholders' approval requirements applicable under Chapter 20 of the GEM Listing Rules.

DIRECTORS' AND SPONSOR'S VIEWS

Our Directors (including the independent non-executive Directors) are of the view, and the Sponsor concurs, that (i) the continuing connected transactions contemplated under the Tenancy Agreements as set out in the paragraph headed "Fully exempt continuing connected transactions" will be entered into on normal commercial terms and in the ordinary and usual course of business of our Group; (ii) the rentals payable in respect of these continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (iii) upon Listing, the monthly rentals under the Tenancy Agreements will be consistent with the prevailing market rentals for similar premises, as assessed by Greater China Appraisal Limited.

COMPLIANCE WITH THE GEM LISTING RULES

If the terms of any of the Tenancy Agreements set out in the paragraph headed "Fully exempt continuing connected transactions" are altered to the extent that it is no longer an exempt continuing connected transaction or if we enter into any new agreements or arrangements with any connected persons in the future under which the aggregate consideration paid or payable by us exceed the limits for exempt continuing connected transactions referred to in the GEM Listing Rules, we will comply with the relevant requirements of the GEM Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

The Board currently consists of five Directors comprising two executive Directors and three independent non-executive Directors. The following table sets out the information regarding the members of the Board:

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Relationship with other Directors and senior management	Roles and responsibilities
Executive Directors						
Mr. Cheung Kwan Tar (張群達)	57	Chairman, chief executive officer and executive Director	21 September 2006	18 April 2018	Spouse of Ms. Chiu Chui Ping	Overall strategic planning, business development, corporate management and sales and marketing of our Group and serving as chairman of the Nomination Committee and member of the Remuneration Committee
Mr. Ng Pak Hung (吳柏鴻)	44	Executive Director	1 August 2006	18 April 2018	N/A	Overall strategic planning, business development, corporate management and sales and marketing of our Group
Independent non-executive Directors						
Mr. Chan Yu Sum Sam (陳如森)	67	Independent non-executive Director	20 August 2018	20 August 2018	N/A	Overseeing our Group's compliance, internal control, corporate governance, but not participating in the day-to-day management of our business operation, and serving as chairman of the Remuneration Committee, member of the Audit Committee and Nomination Committee
Mr. Chan Kai Kow Macksion (陳啟球)	62	Independent non-executive Director	20 August 2018	20 August 2018	N/A	Overseeing our Group's compliance, internal control, corporate governance, but not participating in the day-to-day management of our business operation, and serving as member of the Audit Committee, Remuneration Committee and Nomination Committee

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining our Group	Date of appointment as Director	Relationship with other Directors and senior management	Roles and responsibilities
Mr. Chan Wan Fung (陳雲峯)	49	Independent non-executive Director	20 August 2018	20 August 2018	N/A	Overseeing our Group's compliance, internal control, corporate governance, but not participating in the day-to-day management of our business operation, and serving as chairman of the Audit Committee

SENIOR MANAGEMENT

Our senior management comprises the following persons:

Name	Age	Position	Date of joining our Group	Relationship with other Directors and senior management	Roles and responsibilities
Mr. Shek Man Wah (石文華)	52	Chief operating officer	1 June 2006	N/A	Overseeing the execution and completion of projects undertaken by our Group
Ms. Chiu Chui Ping (趙翠萍)	49	Chief administrative officer	20 October 2005	Spouse of Mr. Cheung Kwan Tar	Overseeing the human resources and administrative functions of our Group
Mr. So William (蘇偉廉)	47	Senior project manager	21 September 2006	N/A	Managing the execution and completion of projects undertaken by our Group
Mr. Lam Chi Chiu (林志超)	49	Senior project manager	6 September 2016	N/A	Managing the execution and completion of projects undertaken by our Group
Mr. Yu Chun Kit (余俊傑)	28	Financial controller and company secretary	26 January 2018	N/A	Responsible for the overall accounting and financial management functions, company secretarial matters and internal control matters of our Group

Executive Directors

Mr. Cheung Kwan Tar (張群達), aged 57, is an executive Director and the Controlling Shareholder of our Company. He was appointed as a Director on 18 April 2018 and re-designated as an executive Director, and appointed as the chief executive officer of our Company and the chairman of our Board on 20 August 2018. Mr. Cheung is also a director

DIRECTORS AND SENIOR MANAGEMENT

of Mannings. Mr. Cheung is responsible for the overall strategic planning, business development, corporate management and sales and marketing of our Group. His appointment as chairman of the Nomination Committee and a member of the Remuneration Committee will take effect on the Listing Date.

Mr. Cheung has over 30 years of relevant experience in the civil engineering industry. Before joining our Group, Mr. Cheung has had extensive work experience in managing various kinds of infrastructure projects including but not limited to highways, drainage, sewerage and mainlaying works. From 1984 to 2006 he worked for a number of contractors and international consulting firms in Hong Kong, namely, as a site engineer of Lingking Construction Company Limited in 1984, as a site agent of Wing Mou Construction Company Limited from July 1985 to October 1986, as an assistant engineer of Gammon (Hong Kong) Limited from October 1986 to March 1987, as a graduate engineer of Henry Boot Far East Limited from March 1987 to May 1988, and initially as an assistant engineer and then ultimately a director of Jacobs China Limited (formerly Babbie Asia Limited) from June 1988 to April 2006. Since September 2006, he has been a director of Mannings.

Mr. Cheung obtained a Bachelor of Science (Engineering) from Queen Mary College, University of London in the United Kingdom in August 1983.

Over the years, Mr. Cheung has obtained various professional qualifications and memberships including the following:

Professional qualifications	Dates of admission or appointment
Fellow of the Institution of Civil Engineers	26 September 2016
Fellow of the Hong Kong Institution of Engineers	8 May 2013
Fellow and Chartered Structural Engineer of the Institution of Structural Engineers	6 October 2016
Fellow of the Hong Kong Institution of Highways and Transportation	9 June 2000

Mr. Cheung did not hold any directorship in any listed companies during the three years immediately preceding the Latest Practicable Date.

Mr. Cheung is currently performing the roles of chairman and chief executive officer of our Company. Under code provision A.2.1 of Appendix 15 to the GEM Listing Rules, the roles of chairman and chief executive officer should not be performed by the same individual. Taking into account Mr. Cheung's strong expertise and insight of the engineering consultancy industry, our Board considered that the roles of chairman and chief executive officer being performed by Mr. Cheung enables more effective and efficient overall business planning, decision making and implementation thereof by our Group. In order to maintain good corporate governance and fully comply with the code provision, our Board will regularly review the need to appoint different individuals to perform the roles of chairman and chief executive officer separately.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ng Pak Hung (吳柏鴻) (“**Mr. Ng**”), aged 44, was appointed as a Director on 18 April 2018 and redesignated as an executive Director on 20 August 2018. Mr. Ng is responsible for the overall strategic planning, business development, corporate management and sales and marketing of our Group.

Mr. Ng has over 21 years of relevant experience in the civil engineering industry. Before joining our Group, Mr. Ng has had extensive work experience in managing various kinds of infrastructural projects. From May to August 1995, he was employed by the then Civil Engineering Department of Hong Kong as a summer worker. From 1996 to 2006, he held various positions at Jacobs China Limited (formerly Babbie Asia Limited), an international consulting firm in Hong Kong, namely, as a graduate engineer from July 1996 to January 2000, as an assistant engineer from February 2000 to March 2001, as an engineer from April 2001 to February 2004, as a project engineer from March 2004 to December 2005 and as a senior engineer in 2006. Since August 2006, he has been an operations director of Mannings. He was appointed as a professional assessment assessor of the Hong Kong Institution of Engineers since 2011.

Mr. Ng obtained a Bachelor of Engineering (Hons) in Civil and Structural Engineering from the Hong Kong University of Science and Technology in November 1996. In November 2002, he obtained a Master of Arts in Arbitration and Dispute Resolution (equivalent to a Master of Laws in Arbitration and Dispute Resolution) from the City University of Hong Kong.

Over the years, Mr. Ng has obtained various professional qualification and memberships, including the following:

Professional qualifications	Dates of admission
Accredited NEC3: ECC Project Manager	27 January 2016
Registered Professional Engineer (Civil/Structural), Engineers Registration Board	30 August 2002
Member of The Chartered Institute of Arbitrators	1 August 2002
Member of The Institution of Structural Engineers	22 November 2001
Chartered Engineer of the Engineering Council, United Kingdom	21 May 2001
Member of The Hong Kong Institution of Engineers	15 March 2001
Chartered Civil Engineer and Member of The Institution of Civil Engineers	2 December 2000

Mr. Ng did not hold any directorship in any listed companies during the three years immediately preceding the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Chan Yu Sum Sam (陳如森), aged 67, was appointed as independent non-executive Director on 20 August 2018. His appointment as chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee will take effect on the Listing Date. He is primarily responsible for providing independent judgement to our Board.

Mr. Chan Yu Sum Sam has over 18 years of experience in research and practice in civil engineering. From May 1992 to November 1998, he was an engineer at the Planning Department of Hong Kong. From November 1998 to August 2001, he worked at the then Civil Engineering Department of Hong Kong where his last position was senior engineer. From August 2001 to June 2002, he was an assistant secretary of the then Works Bureau of Hong Kong. From July 2002 to August 2004, he was an assistant secretary of the then Environment, Transport and Works Bureau of Hong Kong. From August 2004 to January 2011, he was a senior engineer at the Works Division of the Highways Department of Hong Kong.

Mr. Chan Yu Sum Sam obtained a Bachelor of Science in Engineering from University of Hong Kong in November 1973 and a Master of Business Administration from the Chinese University of Hong Kong in December 1983. He was admitted as fellow of the Hong Kong Institution of Engineers in May 2011 and is certified as a registered professional engineer by the Engineers Registration Board.

Mr. Chan Yu Sum Sam did not hold any directorship in any listed companies during the three years immediately preceding the Latest Practicable Date.

Mr. Chan Kai Kow Macksion (陳啟球) aged 62, was appointed as independent non-executive Director on 20 August 2018. His appointment as a member of the Audit Committee, Nomination Committee and the Remuneration Committee will take effect on the Listing Date. He is primarily responsible for providing independent judgement to our Board.

Mr. Chan Kai Kow Macksion has over 34 years of working experience in the legal profession. He was admitted as a solicitor of the Supreme Court of Hong Kong in March 1984 and has been a partner of C.L. Chow & Macksion Chan, a law firm based in Hong Kong, since 2001. He is a China Appointed Attesting Officer appointed by the Ministry of Justice of China.

Since February 2013, Mr. Chan Kai Kow Macksion has been a non-executive director of Oi Wah Pawnshop Credit Holdings Limited, a company listed on the Stock Exchange (stock code: 1319).

Mr. Chan Kai Kow Macksion graduated with a Bachelor of Arts in Pure Mathematics from the University of Calgary, Canada in June 1978.

Save as disclosed above, Mr. Chan Kai Kow Macksion did not hold any directorship in any listed companies during the three years immediately preceding the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Kai Kow Mackcion had been a director of the following companies which were incorporated in Hong Kong prior to their dissolution:

Name of company	Nature of business	Date of dissolution	Means of dissolution
Motion Source Limited (動力城有限公司)	Car parking business	9 November 2001	Dissolved by deregistration by the Registrar of Companies in Hong Kong pursuant to section 291AA of the Predecessor Companies Ordinance
Keepompous Limited (永祥鴻有限公司)	Trading	18 October 2002	Dissolved by striking off by the Registrar of Companies in Hong Kong pursuant to section 291 of the Predecessor Companies Ordinance
Toi Shan Chen Feng Tai Memorial Hall Limited* (transliterated from 台山陳鳳台紀念館有限公司)	Non-profit making organisation	9 October 2015	Dissolved by deregistration by the Registrar of Companies in Hong Kong pursuant to section 751 of the Companies Ordinance
Fund Honest Limited (銀誠有限公司)	Bar and restaurant	3 August 2007	Dissolved by deregistration by the Registrar of Companies in Hong Kong pursuant to section 291AA of the Predecessor Companies Ordinance
Sheng Bo Consultants Company Limited (盛博顧問有限公司)	Consultancy	13 March 2015	Dissolved by deregistration by the Registrar of Companies in Hong Kong pursuant to section 751 of the Companies Ordinance

* For identification purpose only

Mr. Chan Kai Kow Mackcion confirms that there is no fraudulent act or misfeasance on his part leading to the dissolution of the above companies and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of the companies. He also confirms that the above companies were solvent immediately prior to their dissolutions.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Wan Fung (陳雲峯), aged 49, was appointed as independent non-executive Director on 20 August 2018. His appointment as the chairman of the Audit Committee will take effect on the Listing Date. He is primarily responsible for providing independent judgement to our Board.

Mr. Chan Wan Fung has over 27 years of professional accounting and financial reporting experience. From June to November 1991, he began his career in Deloitte Touche Tohmatsu (then known as Deloitte Ross Tohmatsu) as a junior accountant. Soon afterwards, in November 1991 he joined the Inland Revenue Department of Hong Kong as an assistant assessor. Mr. Chan Wan Fung left the Government position in November 1993 and was employed by Miramar Hotel and Investment Company Limited, a company listed on the Stock Exchange (stock code: 71), as an assistant accounting manager from November 1993 to April 1995. From April 1995 to March 1997, he worked at Gillette Far East Trading Limited where his last position was senior accountant. From 1997 to 2005, he worked for Philips Electronics Hong Kong Limited, where he was employed as a senior accountant from June 1997 to December 1998, as an accounting manager from January 1999 to March 2001, as a regional integration IT support manager in the Asia Pacific region from March 2001 to August 2005, and as a senior manager in the Asia Pacific region from September 2005 to December 2005. From December 2005 to May 2011, he was employed by Accuray Asia Limited, a company listed on NASDAQ (stock code: ARAY) as its finance director of the Asia Pacific region. In May 2011, he joined Travel Expert (Asia) Enterprises Limited, a company listed on the Stock Exchange (stock code: 1235), as its chief financial officer and since April 2012, he has been an executive director of the company.

Mr. Chan Wan Fung was admitted as an associate of the Chartered Association of Certified Accountants in January 1995. In February 1997, he was admitted as an associate of the Hong Kong Institute of Certified Public Accountants.

Mr. Chan Wan Fung graduated with a Bachelor of Business Administration from the Chinese University of Hong Kong in December 1991, and a Master of Business Administration from the University of Birmingham, United Kingdom in July 2011.

Save as disclosed above, Mr. Chan Wan Fung did not hold any directorship in any listed companies during the three years immediately preceding the Latest Practicable Date.

Mr. Chan Wan Fung had been a director of the following company which was incorporated in Hong Kong prior to its dissolution:

Name of company	Nature of business	Date of dissolution	Means of dissolution
Mishine Enterprise Limited (美順企業有限公司)	Property holding	19 January 2018	Dissolved by deregistration by the Registrar of Companies in Hong Kong pursuant to section 751 of the Companies Ordinance

DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Wan Fung confirms that there is no fraudulent act or misfeasance on his part leading to the dissolution of the above company and he is not aware of any actual or potential claim which has been or will be made against him as a result of the dissolution of the company. He also confirms that the above company was solvent immediately prior to its dissolution.

Save as disclosed above in this section, none of the Directors is involved in the events mentioned in Rule 17.50(2) of the GEM Listing Rules.

Senior Management

Mr. Shek Man Wah (石文華) (“**Mr. Shek**”), aged 52, is the chief operating officer of our Company and is responsible for overseeing the execution and completion of projects undertaken by our Group.

Mr. Shek has over 22 years of experience in traffic engineering, transportation, project management and highways design. From January 1995 to December 2005, he was employed by Jacobs China Limited (formerly Babtie Asia Limited) where his last position was assistant engineer. In May 2006, he joined Mannings as an associate. Since June 2006, he has been an operations director of Mannings.

Mr. Shek obtained a Bachelor of Applied Science in Civil Engineering from the University of British Columbia, Canada in May 1991 and was elected as a member of the Chartered Institution of Highways and Transportation in April 2001. He obtained a Master of Business Administration jointly awarded by the University of New South Wales and the University of Sydney in Australia in June 2002.

Mr. Shek did not hold any directorship in any listed companies during the three years immediately preceding the Latest Practicable Date.

Ms. Chiu Chui Ping (趙翠萍), aged 49, is the chief administrative officer of our Company. Ms. Chiu is responsible for the overseeing the human resources and administrative functions of our Group. Since October 2005, she has been a director of Mannings.

Ms. Chiu obtained a Postgraduate Diploma in Business Administration in March 2004 and a Master of Business Administration in November 2005, both from the University of Wales, Newport, United Kingdom and through long distance learning courses.

Ms. Chiu did not hold any directorship in any listed companies during the three years immediately preceding the Latest Practicable Date.

Mr. So William (蘇偉廉) (“**Mr. So**”), aged 47, is a senior project manager of our Company. He is primarily responsible for managing the execution and completion of projects undertaken by our Group.

Mr. So has over 24 years of experience in construction and engineering. From September 1993 to October 1994, Mr. So worked as an assistant engineer in the marine engineering department of China Harbour Engineering Company (now known as China

DIRECTORS AND SENIOR MANAGEMENT

Harbour Engineering Company Limited), a subsidiary of China Communications Construction Company Limited, which is a company dual-listed on the Stock Exchange (stock code: 1800) and the Shanghai Stock Exchange (stock code: 601800). From October 1994 to October 2006, Mr. So held various positions in Jacobs China Limited (formerly known as Babbie Asia Limited), namely, as an assistant engineer from October 1994 to January 2003, as an engineer from February 2003 to December 2005 and as a project engineer from January 2006 to October 2006. Since September 2006 (subject to a period of absence from November 2008 to January 2009), he has been working for Mannings, first as a senior engineer and then promoted as a divisional director in April 2014.

Mr. So was admitted as member of the Institution of Highways and Transportation in April 1998, as chartered engineer of the Engineering Council, United Kingdom in December 2002 and as member of the Institution of Civil Engineers in July 2005.

Mr. So graduated with a Bachelor of Engineering degree from Middlesex University in the United Kingdom in July 1993.

Mr. So did not hold any directorship in any listed companies during the three years immediately preceding the Latest Practicable Date.

Mr. Lam Chi Chiu (林志超) (“Mr. Lam”), aged 49, is a senior project manager of our Company. He is primarily responsible for managing the execution and completion of projects undertaken by our Group.

Mr. Lam has over 23 years of experience in construction and engineering. He worked for Scott Wilson Limited (now known as AECOM Consulting Services Limited) as an assistant resident engineer from September 1994 to March 1996, as a senior assistant engineer from March 1996 to February 1997, and as assistant resident engineer from February 1997 to July 1997. From July 1997 to September 2016, Mr. Lam worked for Jacobs China Limited (formerly known as Babbie Asia Limited), where his last position was principal engineer. Since September 2016, Mr. Lam has been a divisional director of Mannings.

Mr. Lam was admitted as member of the Institution of Civil Engineers in December 1996, as chartered engineer of the Engineering Council on July 1997, as member of the Hong Kong Institution of Engineers in July 1997, and as member of the Institution of Structural Engineers in October 1997. He was certified as registered professional engineer in Hong Kong by Engineers Registration Board from July 2013 to June 2014.

Mr. Lam graduated with a Bachelor of Engineering from the University of Hong Kong in December 1992. He also obtained a Bachelor of Laws degree from the University of London in the United Kingdom in August 2007.

Mr. Lam did not hold any directorship in any listed companies during the three years immediately preceding the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yu Chun Kit (余俊傑) (“**Mr. Yu**”), aged 28, is the financial controller and company secretary of our Company and is responsible for the overall financial management of our Group. He joined our Group in January 2018 as the financial controller of Mannings.

Mr. Yu has six years of experience in auditing, accounting and financial management. Prior to joining our Group, from 2011 to 2016, he worked at various international accounting firms, namely, BDO Limited from October 2011 to October 2013 with his last position as senior associate, KPMG from July 2014 to August 2015 with his last position as assistant manager. From February 2016 to November 2016, he worked at Bowker Asia Limited, which is a subsidiary of Win Hanverky Holdings Limited, a company listed on the Stock Exchange (stock code: 3322), with his last position as assistant internal audit manager. Mr. Yu was an assistant manager of a subsidiary of Kingston Financial Group Limited, a company listed on the Stock Exchange (stock code: 1031), from December 2016 to December 2017.

Mr. Yu obtained a Bachelor of Business Administration (Hons) in Accounting & Finance from the Hong Kong Polytechnic University in October 2011. He was admitted as a member of the Hong Kong Institute of Certified Public Accountants in July 2015.

Mr. Yu did not hold any directorship in any listed companies during the three years immediately preceding the Latest Practicable Date.

COMPANY SECRETARY

Mr. Yu Chun Kit (余俊傑), aged 28, was appointed as the company secretary of our Company on 18 April 2018. For details of his biography, please refer to the paragraph headed “Senior management” in this section.

COMPLIANCE OFFICER

Mr. Cheung Kwan Tar is the compliance officer of our Company. Details of his qualification and experience are set out in the sub-paragraph headed “Directors” above in this section.

CORPORATE GOVERNANCE

Our Company will comply with the Corporate Governance Code in Appendix 15 to the GEM Listing Rules. Our Directors will review our corporate governance policies and compliance with the Corporate Governance Code each financial year and include our corporate governance report in our annual reports upon Listing. The terms of reference for performing the corporate governance functions in compliance with the Corporate Governance Code were approved by our Board for adoption on 20 August 2018.

DIRECTORS AND SENIOR MANAGEMENT

BOARD COMMITTEES

Audit Committee

Our Company established the audit committee on 20 August 2018 with written terms of reference in compliance with Rule 5.29 of the GEM Listing Rules and paragraph C.3.3 of the Corporate Governance Code. The primary duties of our audit committee include, among others, (a) making recommendations to our Board on the appointment, re-appointment and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor; (b) reviewing our financial statements, our annual report and accounts and our half-year report and significant financial reporting judgements contained therein; and (c) reviewing our financial controls, internal control and risk management systems. Our audit committee comprises three independent non-executive Directors, namely Mr. Chan Wan Fung, Mr. Chan Yu Sum Sam and Mr. Chan Kai Kow Macksion. Mr. Chan Wan Fung is the chairman of our audit committee.

Nomination Committee

Our Company established the nomination committee on 20 August 2018 with written terms of reference in compliance with paragraph A.5.2 of the Corporate Governance Code. The primary duties of our nomination committee include, among others, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of our Board at least annually and making recommendations on any proposed changes to our Board to complement our corporate strategy; (b) identifying individuals suitably qualified to become members of our Board and selecting or making recommendations to our Board on the selection of individuals nominated for directorships; (c) assessing the independence of our independent non-executive Directors; and (d) making recommendations to our Board on the appointment and succession planning for our Directors. Our nomination committee comprises two independent non-executive Directors, namely Mr. Chan Yu Sum Sam and Mr. Chan Kai Kow Macksion, and one executive Director, namely Mr. Cheung. Mr. Cheung is the chairman of our nomination committee.

Remuneration Committee

Our Company established the remuneration committee on 20 August 2018 with written terms of reference in compliance with Rule 5.35 of the GEM Listing Rules and paragraph B.1.2 of the Corporate Governance Code. The primary duties of our remuneration committee, under the principle that no Director or any of his associates should be involved in deciding his own remuneration include, among others, making recommendations to our Board on (a) our remuneration policy and structure for all of our Directors and senior management; (b) the establishment of a formal and transparent procedure for developing remuneration policies; (c) the remuneration packages of our executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointments; and (d) the remuneration of our independent non-executive Directors. Our remuneration committee comprises two independent non-executive Directors, namely Mr. Chan Yu Sum Sam and Mr. Chan Kai Kow Macksion, and one executive Director, namely Mr. Cheung. Mr. Chan Yu Sum Sam is the chairman of our remuneration committee.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISER

In accordance with Rule 6A.19 of the GEM Listing Rules, our Company has appointed Grande Capital Limited as our compliance adviser, which will have access to all relevant records and information relating to our Company that it may reasonably require to properly perform its duties. Pursuant to Rule 6A.23 of the GEM Listing Rules, our Company must consult with and, if necessary, seek advice from the compliance adviser on a timely basis in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated by our Company, including share issues and share repurchases;
- (iii) where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Company deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company concerning unusual movements in the price or trading volume of the Shares under Rule 17.11 of the GEM Listing Rules.

The term of appointment shall commence on the Listing Date and end on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year commencing after the Listing Date and such appointment shall be subject to extension by mutual agreement.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION POLICY

Our Directors and senior management receive compensation in the form of fixed monthly salaries in accordance with their respective employment contracts with our Group. Our Group also reimburses them for expenses which are necessarily and reasonably incurred for the provision of services to our Group or executing their functions in relation to the business operations.

The remuneration policies of our Group are and will be formulated by our Board on the recommendations of the remuneration committee of our Company (comprising two independent non-executive Directors and one executive Director). During the Track Record Period, the remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses and other allowances and benefits in kind) of our Directors and our senior management was determined with reference to their respective experience, responsibilities with our Group and general market conditions. Discretionary bonus (if any) is linked to the profit performance of our Group and the individual performance of our Directors or senior management members. Our Company intends to adopt the same remuneration policies after the Listing, subject to the review by and the recommendations of the remuneration committee of our Company.

DIRECTORS AND SENIOR MANAGEMENT

For FY2016, FY2017 and the three months ended 31 March 2018, the aggregate amount of remuneration paid or payable by our Group to our Directors was approximately HK\$3,956,000, HK\$4,012,000 and HK\$989,000, respectively.

For FY2016, FY2017 and the three months ended 31 March 2018, the aggregate amount of remuneration paid or payable by our Group to our five highest paid individuals (excluding our Directors amongst the five highest paid individuals) was approximately HK\$4,618,000, HK\$4,719,000 and HK\$1,184,000, respectively.

Save as disclosed above, no other payments have been paid or are payable by our Group for FY2016, FY2017 and the three months ended 31 March 2018 to our Directors or the five highest paid individuals of our Group.

It is estimated that, under the arrangements currently in force, the aggregate remuneration (including benefits in kind but excluding any discretionary bonus) payable by our Group to our Directors for the year ending 31 December 2018 will be approximately HK\$3,912,000.

During the Track Record Period, no remuneration was paid by our Group to, or received by, our Directors as an inducement to join or upon joining our Group or as compensation for loss of office.

During the Track Record Period, none of our Directors waived or agreed to waive any remuneration.

SHARE OPTION SCHEME

Our Directors may receive options to be granted under the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the section headed “Other information – 12. Share Option Scheme” in Appendix IV to this prospectus.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), our ultimate Controlling Shareholder, Mr. Cheung, through Waywin Investment (an investment holding company owned as to 100% by Mr. Cheung) indirectly holds a 53.25% interest in our Company. Please see section headed “Substantial Shareholders” for details of the shareholding interest of our Controlling Shareholders.

RULE 11.04 OF THE GEM LISTING RULES

Each of our Controlling Shareholders and Directors has confirmed that, he/she/it does not have and their respective close associates do not have interest in any business apart from our Group’s business which competes or is likely to compete, directly or indirectly, with our Group’s business, and would require disclosure pursuant to Rule 11.04 of the GEM Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having taken into account of the following factors, our Directors are satisfied that our Group is capable of carrying on our business independently of our Controlling Shareholders and their respective close associates (other than our Group) after the Listing.

Financial independence

We have our own accounting and finance team and make financial decisions according to our own business needs. We have our own financial management system, internal control and accounting systems, finance, accounting and administration department, independent treasury function for cash receipts and payments, and the ability to operate independently from our Controlling Shareholders from a financial perspective.

During the Track Record Period, our Group had certain amounts due from/to our ultimate Controlling Shareholder, details of which are set out in note 17 to the Accountants’ Report. Our Directors confirm that all amounts due from/to our Controlling Shareholders and/or related parties, which are non-trade in nature, will be fully settled in cash before the Listing.

Save as disclosed herein, our Directors confirm that there was no other financial assistance, security or guarantee provided by our Controlling Shareholders or their respective close associates in favour of our Group or vice versa during the Track Record Period and as at the Latest Practicable Date.

Our Directors believe that, upon Listing, our Group is capable of obtaining financing from third parties without the support of our Controlling Shareholders. Therefore, our Group will be financially independent from our Controlling Shareholders and/or any of their respective close associates.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Operational independence

Having considered that (a) we have established our own operational structure comprising individual teams, each with specific areas of responsibilities; (b) we have established a set of internal control procedures to facilitate the effective operation of our business; (c) all the registered trademarks and other intellectual property necessary or desirable for our business are registered in, or the registration for which has been applied under, the name of our Group; (d) we have not shared our operational resources, such as subconsultants, clients, marketing, sales and general administration resources with our Controlling Shareholders and/or their associates; (e) except for the continuing connected transactions as set out in the section headed “Connected Transactions” in this prospectus, we have not entered into any connected transaction with our Controlling Shareholders or their respective close associates that will continue after the Listing, accordingly, our Directors consider that our Group’s business operation to be independent from our Controlling Shareholders and their close associates.

Management independence

Our Group’s management and operational decisions are made by our Board and a team of senior management. Our Board consists of five members, comprising of two executive Directors and three independent non-executive Directors. Although our ultimate Controlling Shareholder, namely Mr. Cheung, will simultaneously be our executive Director and retain a controlling interest in our Company after the Listing, we consider that our Board and team of management will function independently because:

- (a) each of our Directors is aware of his or her fiduciary duties as a director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest;
- (b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective close associates, the interested Director(s) shall abstain from voting at the relevant meeting of the Board in respect of such transaction and shall not be counted in the quorum;
- (c) with three independent non-executive Directors out of a total of five Directors on our Board, there will be a sufficiently robust and independent voice to the decision-making process of our Board to protect the interests of our independent Shareholders; and
- (d) our senior management members are independent and possess in-depth experience and understanding of the industry in which our Group is engaged.

Our Directors are therefore of the view that we are capable of managing our business independently from our Controlling Shareholders after the Listing.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Major subconsultants' independence

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective close associates, have any relationship with the major subconsultants of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

Major clients' independence

Our Directors confirm that none of our Controlling Shareholders, our Directors and their respective close associates, have any relationship with the major clients of our Group (other than the business contacts in the ordinary and usual course of business of our Group) during the Track Record Period.

DEED OF NON-COMPETITION

For the purpose of the Listing, each of our Controlling Shareholders, Mr. Cheung and Waywin Investment (collectively, the “**Covenantors**”) has given certain non-competition undertakings in favour of our Company (for itself and as trustee for and on behalf of other members of our Group) under the Deed of Non-competition, pursuant to which each of the Covenantors, irrevocably and unconditionally, jointly and severally, undertakes to and covenants with our Company (for itself and as trustee for other members of our Group) on the following terms with effect from the Listing Date and for as long as our Shares remain listed on the Stock Exchange and the Covenantors, individually or collectively with their close associates, are, directly or indirectly, interested in not less than 30% of our Shares in issue, or are otherwise regarded as Controlling Shareholders:

- (i) undertaking not to engage in competing business: each of the Covenantors shall not, and shall procure each of his/its close associates (other than our Group) not to, whether on his/its own account or in conjunction with or on behalf of any person, firm or company and whether directly or indirectly (other than through our Group), whether as a shareholder, director, employee, partner, agent or otherwise (other than being a director or shareholder of our Group or members of our Group), carry on or be engaged in, directly or indirectly, a business which is, or be interested or involved or engaged in or acquire or hold any rights or interest (save for the holding in aggregate by the Covenantors and their close associates of not more than 5% shareholding interest in any company listed on the Stock Exchange or any other stock exchange) or otherwise involved in (in each case whether as a shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any business which competes or may in any aspect compete directly or indirectly with the business or which is similar to the business currently and may from time to time be engaged by our Group (“**Restricted Business**”);

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (ii) undertaking not to solicit staff etc.: each of the Covenantors:
- a. will not, and will procure his/its close associates (other than our Group) not to, invest or participate in any project or business opportunity that competes or may compete, directly or indirectly, with the business activities engaged by our Group from time to time unless pursuant to the provisions stipulated in the Deed of Non-competition;
 - b. will not offer employment to, enter into a contract for the services of, or attempt to solicit or seek to entice away from our Group any individual who is a director, officer, manager or employee of our Group, or procure or facilitate the making of any such offer or attempt by any other person;
 - c. will not, without the consent from our Company, make use of any information pertaining to the business of our Group which may have come to his/its knowledge in his/its capacity as the Controlling Shareholder for any purposes other than for the exercise of shareholders' rights; and
 - d. he/it will address such other enquiries as may be made by the Stock Exchange, the SFC, any other regulatory bodies or our Company from time to time;
- (iii) undertakings in respect of new business opportunity: if each of the Covenantors and/or any of his/its close associates (other than our Group) is offered or becomes aware of any project or new business opportunity ("**New Business Opportunity**") that relates to the Restricted Business, whether directly or indirectly, he/it shall:
- a. promptly in any event not later than seven days from the date of offer or becoming aware of the New Business Opportunity notify our Company in writing ("**Offer Notice**") of such opportunity and provide such information as is reasonably required by our Company in order to enable our Company to come to an informed assessment of such opportunity; and
 - b. use his/its best endeavours to procure that such opportunity is offered to our Company on terms no less favourable than the terms on which such opportunity is offered to him/it and/or his/its close associates (other than our Group).

If our Group gives a written notice declining the New Business Opportunity and confirming that the New Business Opportunity would not constitute competition with the business of our Group, or if our Group has not sent such written notice to the Covenantors within 30 business days from our Group's receipt of the Offer Notice, the Covenantors will be entitled to pursue the New Business Opportunity. The Covenantors agree to extend the 30 business days to a maximum of 60 business days if our Group requires further time to assess the New Business Opportunity by giving a written notice to the Covenantors within the original period of 30 business days.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

(iv) general undertakings: each of the Covenantors shall:

- a. provide our Company and our Directors (from time to time) with all information necessary and requested by the independent non-executive Directors, including but not limited to monthly turnover records and other relevant documents considered necessary by the independent non-executive Directors for their annual review with regard to the compliance and/or enforcement of the terms of Deed of Non-competition and the enforcement of the non-competition undertakings in the Deed of Non-competition;
- b. provide our Group, after the end of each financial year of our Company, with a declaration made by each of the Covenantors which shall state whether or not he/it has during that financial year complied with all the terms of the Deed of Non-competition, and if not, particulars of any non-compliance, which declaration (or any part thereof) may be reproduced, incorporated, extracted and/or referred to in the annual report of our Company for the relevant financial year, such annual declaration shall be consistent with the principles of making voluntary disclosure in the corporate governance report of our Group; and
- c. allow our Directors, their respective representatives and the auditors to have sufficient access to the records of the Covenantors and his/its close associates to ensure their compliance with the terms and conditions under the Deed of Non-competition.

Each of the Covenantors has undertaken to our Company that he/it will abstain from voting on the board level or the shareholder level of our Company and will not be counted in the quorum if there is any actual or potential conflict of interest in relation to the Restricted Business and the New Business Opportunity.

To ensure that the terms of the Deed of Non-competition are observed, our independent non-executive Directors will, based on the information available to them, review on an annual basis (i) the compliance with and the enforcement of the Deed of Non-competition; and (ii) all the decision made by our Group in relation to whether to take up any New Business Opportunity.

CORPORATE GOVERNANCE MEASURES TO SAFEGUARD THE INTEREST OF SHAREHOLDERS

Our Company will adopt the following corporate governance measures to avoid potential conflict of interests and safeguard the interests of our Shareholders:

- (a) compliance with the GEM Listing Rules, in particular strictly observe any proposed transactions between us and connected persons and comply with the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules where applicable;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (b) appointment of Grande Capital Limited as our compliance adviser to advise us on the compliance matters in respect of the GEM Listing Rules and applicable laws and regulations;
- (c) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and recuse himself/herself from the meetings of the Board on matters in which such Director or his/her close associates have an actual or potential material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors;
- (d) appointment of three independent non-executive Directors in order to achieve a balanced composition of executive and non-executive Directors in our Board. Our independent non-executive Directors will conduct annual review on the compliance of the Deed of Non-competition and the enforcement thereby by our Company. We believe our independent non-executive Directors possess the qualification, integrity and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgement and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Further details of our independent non-executive Directors are set out in “Directors and Senior Management”;
- (e) our Controlling Shareholders have undertaken and agreed to provide all information requested by our Group which is necessary for the annual review by our independent non-executive Directors and the enforcement of the Deed of Non-competition; and
- (f) our Company will disclose decisions with basis on matters reviewed by our independent non-executive Directors in relation to the compliance with and the enforcement of the Deed of Non-competition either through our Company’s annual report or by way of announcement to the public.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, as at the date of submission of application for the Listing and immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), the following persons will have interests or short positions in the Shares or the 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 will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name	Capacity/Nature of interest	Number of Shares held/interested immediately after completion of the Capitalisation Issue and the Share Offer ⁽¹⁾	Approximate percentage of interests in our Company immediately after completion of the Capitalisation Issue and the Share Offer
Waywin Investment ⁽²⁾	Beneficial owner	426,000,000	53.25%
Mr. Cheung ⁽²⁾	Interest in a controlled corporation	426,000,000	53.25%
Ms. Chiu ⁽³⁾	Interest of spouse	426,000,000	53.25%
Mr. Cheng ⁽⁴⁾	Beneficial owner	58,800,000	7.35%
Polar Lights ⁽⁵⁾	Beneficial owner	57,600,000	7.20%
Mr. Wong ⁽⁵⁾	Interest in a controlled corporation	57,600,000	7.20%
Twinkle Galaxy ⁽⁶⁾	Beneficial owner	57,600,000	7.20%
Mr. Lam ⁽⁶⁾	Interest in a controlled corporation	57,600,000	7.20%

Notes:

- (1) All interests stated are long positions.
- (2) Waywin Investment is the direct Shareholder of our Company. The entire issued share capital of Waywin Investment is legally and beneficially owned by Mr. Cheung. By virtue of the SFO, Mr. Cheung is deemed to be interested in the Shares held by Waywin Investment.
- (3) Ms. Chiu is the spouse of Mr. Cheung. Accordingly, Ms. Chiu is deemed or taken to be interested in the Shares Mr. Cheung is interested in under the SFO.
- (4) Mr. Cheng is a direct Shareholder of our Company.
- (5) Polar Lights is a direct Shareholder of our Company. The entire issued share capital of Polar Lights is legally and beneficially owned by Mr. Wong. By virtue of the SFO, Mr. Wong is deemed to be interested in the Shares held by Polar Lights.

SUBSTANTIAL SHAREHOLDERS

- (6) Twinkle Galaxy is a direct Shareholder of our Company. The entire issued share capital of Twinkle Galaxy is legally and beneficially owned by Mr. Lam. By virtue of the SFO, Mr. Lam is deemed to be interested in the Shares held by Twinkle Galaxy.

Save as disclosed above, our Directors are not aware of any person who will, immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), have interests or short positions in the Shares or the underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is 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 our Company or any other member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

SHARE CAPITAL

SHARE CAPITAL OF OUR COMPANY

The following is a description of the authorised and issued share capital of our Company immediately before and following the completion of the Capitalisation Issue and the Share Offer (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme):

HK\$

Authorised share capital

1,500,000,000	Shares of par value HK\$0.01 each	15,000,000

Shares issued and fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer

2,000	Shares in issue as at the date of this prospectus	20
	Shares to be issued pursuant to the Capitalisation Issue	
599,998,000		5,999,980
200,000,000	Shares to be issued pursuant to the Share Offer	2,000,000
<u>800,000,000</u>	Total issued Shares	<u>8,000,000</u>

ASSUMPTIONS

The above table assumes that the Capitalisation Issue and the Share Offer become unconditional and the issue of Shares pursuant thereto are made as described herein. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme, or of any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates given to our Directors to allot and issue or repurchase the Shares as referred to below.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the total issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules). The 200,000,000 Offer Shares represent not less than 25% of the issued share capital of our Company upon Listing.

SHARE CAPITAL

RANKING

The Offer Shares are ordinary shares and will rank *pari passu* in all respects with all Shares now in issue or to be issued as mentioned in this prospectus, and will qualify in full for all dividends or other distributions declared, made or paid on Shares in respect of a record date which falls after the date of this prospectus, save for entitlements under the Capitalisation Issue.

CAPITALISATION ISSUE

Pursuant to the resolutions of the Shareholders passed on 20 August 2018, subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares by our Company pursuant to the Share Offer, our Directors were authorised to capitalise an amount of HK\$5,999,980 (or any such amount any one Director may determine) standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 599,998,000 Shares (or any such number of Shares any one Director may determine) for allotment and issue to the Shareholder(s) whose name(s) appear on the register of members or the principal share register of our Company at the close of business on 20 August 2018 (or as each of them 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 respective shareholdings in our Company, and the Shares allotted and issued shall rank *pari passu* in all respects with the then existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed “Structure and Conditions of the Share Offer – Conditions of the Share Offer” of this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with (otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the articles of association of the Company, the exercise of the Offer Size Adjustment Option or pursuant to the exercise of any options which have been or may be granted under the Share Option Scheme, or under the Share Offer or the Capitalisation Issue) Shares or securities convertible into Shares with a total number of not exceeding the sum of:

- (a) 20% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme); and
- (b) the total number of Shares repurchased by our Company, if any, pursuant to the general mandate to repurchase Shares referred to in the paragraph headed “General Mandate to Repurchase Shares” below.

SHARE CAPITAL

This general mandate to issue Shares will expire at the earliest of:

- (a) the conclusion of our Company's next annual general meeting;
- (b) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable law; or
- (c) when such mandate is varied, revoked or renewed by an ordinary resolution of our Shareholders in a general meeting.

For further details of this general mandate to issue Shares, please see the section headed "Further information about our Company and its subsidiaries – 3. Resolutions in writing of the Shareholders passed on 20 August 2018" in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on the fulfilment or waiver (as applicable) of the conditions set out in the section headed "Structure and Conditions of the Share Offer – Conditions of the Share Offer" of this prospectus, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase on GEM the Shares with a total number of not more than 10% of the total number of Shares in issue following the completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme).

Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the section headed "Further information about our Company and its subsidiaries – 6. Repurchase of our own securities" in Appendix IV to this prospectus.

This general mandate to repurchase Shares will expire at the earliest of:

- (a) the conclusion of the next annual general meeting of our Company;
- (b) the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable law; or
- (c) when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

For further details of this general mandate to repurchase shares, please see the section headed "Further information about our Company and its subsidiaries – 3. Resolutions in writing of the Shareholders passed on 20 August 2018" in Appendix IV to this prospectus.

SHARE CAPITAL

THE SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. The principal terms of the Share Option Scheme are summarised in the section headed “Other information – 12. Share Option Scheme” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting are required are provided in our Articles of Association and the Companies Law. For details, please see Appendix III to this prospectus.

FINANCIAL INFORMATION

You should read this section in conjunction with our audited historical combined financial information, including the notes thereto, as set out in the “Accountants’ Report” in Appendix I to this prospectus. This historical combined financial information is not necessarily indicative of the future performance of our Group. Our historical combined financial information have been prepared in accordance with HKFRSs.

The following discussion and analysis contains certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by our Group in light of our Group’s experience and perception of historical trends, current conditions and expected future developments, as well as other factors that our Group believes are appropriate under the circumstances. However, whether actual outcomes and developments will meet our Group’s expectations and projections depend on a number of risks and uncertainties over which our Group does not have control, including but not limited to those discussed below and elsewhere in this prospectus, particularly in the section “Risk factors” in this prospectus.

Our financial year begins from 1 January and ends on 31 December. All references to “FY2016” and “FY2017” mean the financial years ended 31 December 2016 and 31 December 2017, respectively.

OVERVIEW

We are an engineering consultant in Hong Kong with a focus on the field of infrastructure developments. Since our establishment in 2005, we have accumulated our expertise in different branches of engineering, covering (i) civil engineering mainly comprising road and structural engineering as well as geotechnical engineering; and (ii) traffic engineering. During the Track Record Period, all of our revenue was derived in Hong Kong in terms of the geographical location of our project sites.

Our engineering consultancy services are widely required in various kinds of infrastructure developments. In respect of our civil engineering services, we have been the engineering consultant for a variety of infrastructure works mainly including roads, bridges, noise barriers, barrier-free access facilities, slope improvement, foundation works, drainage and riverwalls. In respect of our traffic engineering services, we have been involved in conducting traffic and transportation planning, traffic impact assessment studies, and temporary traffic management for our clients which are ancillary to the implementation of associated construction works. Our traffic engineering consultancy services are generally applied in proposed traffic diversions during various stages of associated construction works.

To a lesser extent, we also provide other ancillary services which mainly comprised (i) deployment of engineering and related staff to Government authority by recruiting, employing and remunerating appropriate individuals on contract basis; and (ii) advisory services on the implementation of contract administration procedures in infrastructure development project.

FINANCIAL INFORMATION

As at 31 December 2017 and 31 March 2018, we had 229 and 198 projects respectively in progress with a total estimated remaining contract value of approximately HK\$81.9 million and HK\$93.5 million respectively. Please refer to the section headed “Business” in this prospectus for further details of our business.

BASIS OF PREPARATION

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 18 April 2018. Pursuant to a group reorganisation (the “Reorganisation”) as detailed in the section headed “History, Reorganisation and Corporate Structure – Reorganisation” in the Prospectus, which was completed on 10 August 2018, our Company became the holding company of the companies now comprising our Group.

Our Group is under the control of the Controlling Shareholder prior to and after the Reorganisation. Our Group comprising our Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows which include the financial performance, changes in equity and cash flows of the companies now comprising our Group for the Track Record Period, have been prepared under the principles of merger accounting under Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation where this is a shorter period. The combined statements of financial position as at 31 December 2016 and 2017 and 31 March 2018 have been prepared to present the assets and liabilities of the companies now comprising our Group as if the current group structure had been in existence as at those respective dates.

The Historical Financial Information is presented in HK\$, which is the same as the functional currency of our Company and its main subsidiaries.

KEY FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our financial condition and results of operations of our Group have been, and will continue to be, affected by several factors, including those set out below and in the section “Risk Factors” of this prospectus.

Market demand

Our Group’s business performance is directly affected by our revenue which depends on the market demand for our services. The market demand which in turn are significantly affected by a series of factors, including but not limited to the state of economy of Hong Kong, changes in government policies relating to infrastructure development, and the level

FINANCIAL INFORMATION

of government's spending on infrastructure development in Hong Kong. Unfavourable changes in these factors may result in a significant decrease in the number of infrastructure development projects available in Hong Kong.

During the Track Record Period, our revenue was significantly influenced by the size and numbers of projects undertaken by us. In addition, our projects are generally one-off projects which are non-recurrent in nature. There is no guarantee that our clients will provide us with new contracts or that we will secure new clients. Any significant decrease in the availability of the number of infrastructure development projects in Hong Kong may materially affect our Group's business volume and therefore the results of operations and financial condition.

Pricing of our service

Our projects are generally awarded through tender. We determine our price taking into consideration various factors including (i) the scope of services; (ii) the estimated amount of time required and the personnel to be involved; (iii) the nature and complexity of the project; (iv) background and credibility of the clients; (v) the availability of our manpower and resources; (vi) the duration of the projects; (vii) any subconsultancy services which are expected to be necessary; and (viii) the prevailing market conditions. For each of FY2016, FY2017 and the three months ended 31 March 2018, our revenue amounted to approximately HK\$71.3 million, HK\$86.2 million and HK\$20.8 million, respectively; our net profit amounted to approximately HK\$14.2 million, HK\$17.2 million and HK\$1.0 million, respectively (representing net profit margin of approximately 19.9%, 19.9% and 4.7%, respectively).

While it is our objective to charge a reasonable price to maximise our shareholders' value, offering a less competitive price than our competitors may render our tender unsuccessful. Offering a price below the actual costs may on the other hand erode or eliminate our profits and affect our financial results. Failure to balance the various factors in determining price will adversely affect our financial performance and results of operation.

Costs and availability of engineering staff in Hong Kong

We leverage on the expertise of our in-house team of engineering staff in provision of engineering consultancy services for our clients. As such, we consider that our in-house team of engineering staff is crucial to the day-to-day operations and the continuing success of our Group. The main component of our cost of services is staff costs, amounting to HK\$31.9 million, HK\$36.7 million and HK\$9.1 million for FY2016, FY2017 and the three months ended 31 March 2018, representing 75.8%, 72.1% and 76.5% of total cost of services, respectively.

The costs of engineering staff may be affected by the demand and supply of engineers in Hong Kong as well as other economic factors such as inflation rate and general standard of living. There is no guarantee that the supply of engineers in Hong Kong will remain stable. Any significant increase or decrease in the overall supply of or demand for engineers in Hong Kong may materially affect the costs of our Group's operations and the quality of services. In the event that our Group fails to retain its existing engineering staff and/or

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recruit sufficient and capable engineering staff in a timely manner for the existing or future projects and/or there is a significant increase in the engineering staff costs, the operations and profitability may be materially and adversely affected.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in staff costs on our profit before income tax during the Track Record Period, assuming all other variables remained constant. According to F&S Report, the nominal salary indices of employees in infrastructure engineering consultancy in Hong Kong have increased a CAGR of about 4.3% during 2012 to 2017, primarily due to the accelerated infrastructure development, which drives the needs of experienced and qualified engineering staff in Hong Kong. For prudence sake, our Group adopted a hypothetical fluctuation of 5% and 10% in performing the sensitivity analysis below.

Hypothetical fluctuation of our staff costs	+/-5%	+/-10%
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Decrease/increase in profit before income tax</i>		
FY2016	1,594	3,189
FY2017	1,833	3,665
Three months ended 31 March 2018	454	909

Performance and availability of the subconsultants

Our Group may engage subconsultants of various profession, including Registered Structural Engineers, Registered Geotechnical Engineers, Authorised Persons, environmental specialists, electrical and mechanical engineers, architects and surveyors, to provide technical advice on (i) our investigation and feasibility studies; and (ii) our infrastructure designs and plans. For FY2016, FY2017 and the three months ended 31 March 2018, we incurred subconsultancy fees of approximately HK\$10.1 million, HK\$14.4 million and HK\$2.7 million, representing 23.9%, 28.3% and 22.4% of total cost of services, respectively.

There is no assurance that the quality of services of subconsultants can always meet the requirements of our Group or our clients. We may not be able to monitor the performance of our subconsultants. Therefore, the engagement of subconsultants exposes us to the risks associated with non-performance, late performance or sub-standard performance of our subconsultants. Since we remain accountable to our clients for the performance and quality of services rendered by our subconsultants, we may incur additional costs or be subject to liability under the relevant contracts between us and our clients for our subconsultants' unsatisfactory performance. Such events could adversely affect our profitability, reputation, business operation and financial performance.

In addition, there is no assurance that our Group will always be able to secure services from suitable subconsultants when required, or be able to negotiate acceptable fees and terms of service with subconsultants. In such event, our operation and financial position may be adversely affected.

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Collectability of contract assets and recoverability of our trade receivables

We are subject to the credit risks and our liquidity is dependent on our clients making prompt payments on billings for work done by us. As at 31 December 2016 and 2017 and 31 March 2018, our trade receivables amounted to approximately HK\$18.5 million, HK\$19.8 million and HK\$15.6 million, of which approximately HK\$6.2 million, HK\$10.8 million and HK\$5.2 million have been past due but not impaired, respectively.

Furthermore, the contract assets of HK\$6.1 million, HK\$7.3 million and HK\$10.2 million in relation to our rights to consideration for work completed but not billed as at 31 December 2016 and 2017 and 31 March 2018 respectively.

There is no assurance that we will be able to bill all or any part of the amounts due from clients for our services rendered according to the billing schedule as stated in our service contracts, or that we will be able to recover all or any part of account receivable from clients within the credit terms granted by us to our clients or at all. Further, for each of FY2016, FY2017 and the three months ended 31 March 2018, our trade receivables turnover days were approximately 88 days, 81 days and 77 days respectively. Any difficulty in billing for the work completed or collecting a substantial portion of our trade receivables from our clients could materially and adversely affect our cash flows and financial position.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The financial information of our Group has been prepared in accordance with accounting policies which conform with HKFRSs. The significant accounting policies adopted by our Group are set forth in detail in note 2 to the Accountants' Report set out in Appendix I to this prospectus.

Some of the accounting policies involve judgments, estimates, and assumptions made by our management. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Our Directors believe accounting policies such as revenue recognition, provision for impairment of trade receivables, contract assets/liabilities and provision for the Tai O Project involved the most significant estimates and judgements used in the preparation of our financial statements. Further information regarding the key judgements made in applying our accounting policies are set forth in note 3 to the Accountants' Report set out in Appendix I to this prospectus.

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Early application of HKFRS 9 and HKFRS 15

For the preparation of our financial information, all new standards including HKFRS 9 and HKFRS 15 are consistently adopted by our Group, which are mandatory for the financial year beginning 1 January 2018 and earlier application is permitted. HKFRS 9 and HKFRS 15 have been early applied for the years ended 31 December 2016 and 2017, and have been consistently applied by our Group in the Track Record Period.

- (a) HKFRS 9 “Financial Instruments” replaces HKAS 39 “Financial Instruments: Recognition and Measurement”. HKFRS 9 introduces new requirements for classification and measurement of financial assets and financial liabilities, impairment requirements for financial assets and other items (for example, contract assets) and general hedge accounting. Our directors consider the application of HKFRS 9 did not have any significant impact on our Group’s financial position and performance during the Track Record Period as compared to requirements of HKAS 39.
- (b) HKFRS 15 “Revenue from Contracts with Customers” replaces the previous revenue standards HKAS 18 “Revenue” and HKAS 11 “Construction Contracts” and the related interpretations.

We have assessed the effects of early adoption of HKFRS 15 on Group’s financial position and performance and identified certain classification and presentation of balances in the combined statements of financial position as set out below:

- Presentation of contract assets and contract liabilities in the combined statements of financial position. HKFRS 15 requires separate presentation of contract assets and contract liabilities in the statement of financial position. They would have been presented as “amount due from customers for contract work” and “amount due to customers for contract work” should HKAS 11 have been applied throughout the Track Record Period. In addition, provision for an onerous contract is presented separately under HKFRS 15, and it would have been classified as part of the “amount due to customers for contract work” should HKAS 11 have been applied throughout the Track Record Period.

Taking into account the impact disclosed above, our directors consider that the application of HKFRS 15 did not have any significant impact on our Group’s financial position and performance during the Track Record Period as compared to requirements of HKAS 18 and HKAS 11.

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COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The combined statements of profit or loss and other comprehensive income during the Track Record Period are summarised below, which have been extracted from the Accountants' Report set out in Appendix I to this prospectus. As such, the following sections should be read in conjunction with the Accountants' Report set out in Appendix I to this prospectus.

	FY2016	FY2017	Three months ended 31 March	
	<i>HK\$'000</i>	<i>HK\$'000</i>	2017	2018
			<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Revenue	71,313	86,221	19,673	20,809
Cost of services	<u>(42,045)</u>	<u>(50,831)</u>	<u>(11,880)</u>	<u>(11,875)</u>
Gross profit	29,268	35,390	7,793	8,934
Other income	820	466	202	58
Administrative expenses	<u>(13,117)</u>	<u>(15,294)</u>	<u>(3,575)</u>	<u>(7,335)</u>
Profit before income tax	16,971	20,562	4,420	1,657
Income tax expense	<u>(2,809)</u>	<u>(3,372)</u>	<u>(709)</u>	<u>(687)</u>
Profit and total comprehensive income for the year/period attributable to equity holders of our Company	<u>14,162</u>	<u>17,190</u>	<u>3,711</u>	<u>970</u>

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PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

Revenue

During the Track Record Period, our revenue was principally generated from the provision of engineering consultancy services for various kinds of infrastructure developments. Revenue from our engineering consultancy service contracts is recognised progressively based on the contract costs incurred to date as a percentage of total forecast costs to complete the contract. Our Group recognises revenue over time only if we can reasonably measure its progress toward the completion of our obligation in a contract. However, if our Group cannot reasonably measure the outcome but expects to recover the costs incurred in completing our obligation in the contract, then we recognise revenue to the extent of the costs incurred.

Revenue is recognised based on the contract costs incurred to date as a percentage of total forecasted costs to complete the contract. Such forecasted costs to completion, as reflected in our cost budget, is predetermined during the tender stage for each project by our management, mainly based on the estimated staff costs directly related to the personnel to be involved in the project, the estimated costs to be incurred for the necessary subconsultancy services and some other costs estimated by our management, having considered the scale, complexity and work schedules of the project. In order to ensure our estimation of the forecasted cost to completion is accurate and up-to-date throughout the project implementation, our management conducts periodic review of the budget of each project on an ongoing basis by comparing the predetermined cost budget with the actual contract costs incurred to date. Actual contract costs incurred in a project is reported by the project managers to executive Directors. Where necessary, revisions to cost budget, which requires approval from our executive Directors, may be made to control the cost target of the project. Such revisions shall (i) identify the causes of the increase in the cost of the project; and (ii) set out the measures to be taken to control the cost of the project. For further details, please refer to the paragraph headed “Business – Pricing strategy” in this prospectus.

To ensure our financial reporting system operates in accordance with the accounting policies adopted by our Group, we have adopted certain internal control measures in ensuring the contract costs incurred are properly recorded in the financial reporting system as well as the accuracy of the percentage of project completion, our Group’s accounting entries for preparing the monthly management accounts are handled by our designated accounting staff based on relevant supporting documents and data extracted from our Group’s timesheet recording system. We keep track of our project progress and costs involved by requiring our staff to (i) complete daily time sheet; and (ii) specify the detailed works carried out and actual time spent on the respective tasks on a timely basis, subject to regular review by our executive Directors. All data entry by our staff in the timesheet recording system is irrevocable unless the changes are approved by our executive Directors. In particular, our chief administrative officer, being responsible for overseeing the human resources and administrative functions of our Group, reviews and assesses the accuracy of the entries made by our staff in the timesheet recording system on a weekly basis by cross-checking with (i) their attendance and leave records; (ii) the historical records of work time entries of the staff; and (iii) their assigned work tasks in different projects. Our project managers also review and endorse our staff timesheet on a monthly basis. Furthermore, our

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executive Directors have put in place an internal guideline setting out the normal range of hours expected to be spent by our staff according to their grading and seniority for preparing and/or reviewing each major type of deliverables. The objective of the internal guideline is to provide a general benchmark for our project managers to assess the reasonableness of the time sheet completed by our staff. Where the time entry made by a staff for completing his/her work tasks largely deviates from the normal expected range set out in the internal guideline, our project managers will make enquiries with the staff on the circumstances leading to such deviation, including the complexity of the tasks or any issues encountered. Our executive Directors also carry out monthly review to ensure that the staff cost incurred for each project is in line with the data extracted from the timesheet recording system. If any material deviation is identified, our executive Directors will enquire with the responsible staff for the potential cause of the deviation and decide for appropriate follow-up actions to be taken. Based on the above procedures, the actual project costs are calculated by our designated accounting staff by aggregating the total staff costs extracted from our timesheet recording system, the subconsultancy fees and other direct costs incurred for the project. Our management is responsible for reviewing the works of our accounting staff and ensuring the accuracy of the actual costs, budgeted costs and the percentage of completion of each project.

Having evaluated the implementation and effectiveness of our internal control measures in March and April 2018, the internal control consultant of our Group confirms that no material adverse findings were identified on our timesheet recording system.

The table below sets forth our revenue by reference to the nature of services for the periods indicated:

	FY2016		FY2017		Three months ended 31 March			
	HK\$'000	%	HK\$'000	%	2017 HK\$'000	%	2018 HK\$'000	%
	(unaudited)							
Civil engineering								
– Road and structural engineering	36,346	51.0	47,571	55.2	13,134	66.8	8,875	42.6
– Geotechnical engineering	7,892	11.1	8,130	9.4	1,380	7.0	2,129	10.2
– Others ^(Note)	7,359	10.3	6,001	7.0	507	2.6	586	2.9
Sub-total	51,597	72.4	61,702	71.6	15,021	76.4	11,590	55.7
Traffic engineering	17,576	24.6	21,795	25.3	3,915	19.9	7,373	35.4
Other ancillary services	2,140	3.0	2,724	3.1	737	3.7	1,846	8.9
Total	71,313	100.0	86,221	100.0	19,673	100.0	20,809	100.0

Note: Others mainly included drainage engineering and marine engineering.

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Civil engineering

Our revenue from civil engineering services represents our consultancy services provided for road and structural engineering, geotechnical engineering, drainage engineering and marine engineering services. During the Track Record Period, our revenue generated from civil engineering services was HK\$51.6 million, HK\$61.7 million and HK\$11.6 million for FY2016, FY2017 and the three months ended 31 March 2018, respectively, which represent 72.4%, 71.6% and 55.7% of our total revenue for the same period.

Traffic engineering

Our revenue from traffic engineering services represents our consultancy services provided for study, planning, design and maintenance of the traffic and transportation network. During the Track Record Period, our revenue generated from traffic engineering services was HK\$17.6 million, HK\$21.8 million and HK\$7.4 million for FY2016, FY2017 and the three months ended 31 March 2018, respectively, which represent 24.6%, 25.3% and 35.4% of our total revenue for the same period.

Other ancillary services

Our revenue from other ancillary services mainly included i) deployment of engineering and related staff to Government authorities by recruiting, employing and remunerating appropriate individual on contract basis; and ii) provision of advisory services on the implementation of contract administration procedures in infrastructure development project. During the Track Record Period, our revenue generated from other ancillary services was HK\$2.1 million, HK\$2.7 million HK\$1.8 million for FY2016, FY2017 and the three months ended 31 March 2018, respectively, which represent 3.0%, 3.1% and 8.9% of our total revenue for the same period.

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

	FY2016			FY2017			Three months ended 31 March					
	No. of projects	HK\$'000	%	No. of projects	HK\$'000	%	2017		2018			
							No. of projects	HK'000	%	No. of projects	HK'000	%
							(Unaudited)					
Construction contractors <i>(Note 3)</i>	266	51,673	72.5	268	65,742	76.2	163	16,890	85.9	144	12,724	61.1
Government authorities <i>(Note 4)</i>	23	12,390	17.4	27	15,302	17.7	18	2,716	13.8	24	7,203	34.6
Others <i>(Note 5)</i>	43	7,250	10.1	39	5,177	6.1	4	67	0.3	10	882	4.3
Total	332	71,313	100.0	334^(Note 1)	86,221	100.0	185	19,673	100.0	178^(Note 2)	20,809	100.0

Notes:

1. Out of the 334 projects which contributed revenue to FY2017, 163 projects also contributed revenue to FY2016.
2. Out of the 178 projects which contributed revenue to the three months ended 31 March 2018, 149 projects also contributed revenue to FY2017.

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3. In respect of projects awarded by construction contractors, approximately HK\$37.2 million, HK\$51.2 million and HK\$9.8 million of our revenue representing approximately 52.2%, 59.4% and 47.1% of our total revenue, was derived from projects whose project owners are Government authorities for FY2016, FY2017 and the three months ended 31 March 2018, respectively.
4. These include projects awarded to us directly by Government authorities.
5. Other clients mainly include public transportation corporation, property developers and architectural firms.

As illustrated from the above table, construction contractors accounted for majority of our total revenue during the Track Record Period. For FY2016, FY2017 and the three months ended 31 March 2018, revenue generated from engineering consultancy services provided to construction contractors amounted to HK\$51.7 million, HK\$65.7 million and HK\$12.7 million, representing 72.5%, 76.2% and 61.1% of our total revenue, respectively.

In fact, most of the project owners of the projects awarded by construction contractors are Government authorities, amounting to HK\$37.2 million, HK\$51.2 million and HK\$9.8 million for FY2016, FY2017 and the three months ended 31 March 2018 respectively. Therefore, the aggregate revenue derived from projects of which the project owners are Government authorities, either the projects directly awarded by Government authorities and awarded by construction contractor, amounting to HK\$49.6 million, HK\$66.5 million and HK\$17.0 million for FY2016, FY2017 and the three months ended 31 March 2018 respectively, representing 69.6%, 77.1% and 81.7% of our total revenue for the same period.

Cost of services

Cost of services rendered primarily consists of (i) staff costs, (ii) subconsultancy fees, (iii) others including printing costs and insurance, and (iv) change in provision for the Tai O Project. The following table sets out the breakdown of the components of our Group's costs of services during the Track Record Period:

	FY2016		FY2017		Three months ended 31 March			
	HK\$'000	%	HK\$'000	%	2017 HK\$'000	%	2018 HK\$'000	%
	(unaudited)							
Staff costs	31,889	75.8	36,651	72.1	8,745	73.6	9,089	76.5
Subconsultancy fees	10,058	23.9	14,390	28.3	2,976	25.1	2,665	22.4
Others	530	1.3	485	1.0	172	1.4	138	1.2
Decrease in provision for the Tai O Project	(432)	-1.0	(695)	-1.4	(13)	-0.1	(17)	-0.1
	<u>42,045</u>	<u>100.0</u>	<u>50,831</u>	<u>100.0</u>	<u>11,880</u>	<u>100.0</u>	<u>11,875</u>	<u>100.0</u>

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Staff costs

During the Track Record Period, staff costs is our primary component of cost of services, mainly represented basic salary, bonus, contributions to Mandatory Provident Fund and other benefits to our engineering and other technical staff involved in our projects. The following table sets forth the number of our engineering and other technical staff and average annual staff costs for the Track Record Period:

	FY2016	FY2017	Three months ended 31 March	
			2017	2018
Average number of engineering and other technical staff	68	79	74	77
Average annual staff costs per staff (HK\$'000)	469	464	N/A	N/A

Our technical staff is mainly comprised of project managers who are responsible for overseeing the project execution, project engineers and technical supporting staff such as draftsmen. Their salaries and benefits are determined and reviewed annually based on their qualifications, position, market salary trend etc.

Subconsultancy fees

Subconsultancy fees mainly represented the service fees paid to our subconsultants, who usually provide technical advice on our investigation and feasibility studies and our infrastructure designs and plans. For each of FY2016, FY2017 and the three months ended 31 March 2018, our Group have engaged 42, 44 and 14 subconsultants, and incurred the subconsultancy fees of HK\$10.1 million and HK\$14.4 million and HK\$2.7 million representing 23.9%, 28.3% and 22.4% of total cost of services, respectively.

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Decrease in provision for the Tai O Project

During the Track Record Period, we recorded one loss making project, namely Tai O Project, related to marine engineering design awarded by the Government authority in 2009, the details of Tai O Project refer to the section headed “Business – Loss making project during the Track Record Period” in this prospectus. Prior to the Track Record Period, we expected the project costs to be incurred would be higher than the project revenue to be received and thus reviewed and made sufficient provision for this project at the end of each reporting period. As at 1 January 2016, the provision for this project was HK\$3.0 million. During FY2016, FY2017 and the three months ended 31 March 2018, our Directors reviewed such provision for this project by considering the latest project information and estimated minimum net cost of exiting from project at the end of reporting period, and reduced the provision by approximately HK\$0.4 million, HK\$0.7 million and HK\$17,000 respectively.

Gross profit and gross profit margin

Our pricing of services is generally determined based on certain mark-up over our estimated costs on a case-by-case basis, having regard to various factors, which generally include scope of services, the nature and complexity of project, client’s background and creditability, estimated time required, level of personnel to be involved, and subconsultancy services to be necessary etc..

The following table sets out the breakdown of our total gross profit and gross profit margin by each client type during the Track Record Period.

	FY2016		FY2017		Three months ended 31 March 2017		2018	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
					(unaudited)			
Construction contractors	23,644	45.8	28,365	43.1	7,167	42.4	5,573	43.8
Government authorities	3,200	25.8	5,139	33.6	599	22.1	2,876	39.9
Others	<u>2,424</u>	33.4	<u>1,886</u>	36.4	<u>27</u>	40.3	<u>485</u>	55.0
	<u>29,268</u>	41.0	<u>35,390</u>	41.0	<u>7,793</u>	39.6	<u>8,934</u>	42.9

Our total gross profit amounted to approximately HK\$29.3 million, HK\$35.4 million and HK\$8.9 million for FY2016, FY2017 and the three months ended 31 March 2018 respectively. Our overall gross profit margin was 41.0%, 41.0% and 42.9% for the respective years or period.

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Since our majority of revenue was derived from construction contractors, our gross profit was mainly generated from this type of client, representing 80.8%, 80.1% and 62.4% of total gross profit for FY2016, FY2017 and the three months ended 31 March 2018 respectively. Therefore, our overall gross profit margin was highly correlated to the determined margin of the projects awarded by construction contractors.

Other than construction contractors, our remaining gross profit was contributed from other types of client, including Government authorities, public transportation corporation, property developers and architectural firms. The gross profits generated from them was only 19.2%, 19.9% and 37.6% of total gross profit for FY2016, FY2017 and the three months ended 31 March 2018 respectively.

For the projects awarded to us directly by Government authorities, we consider the intense competitive tendering to award Government projects and the Government authority with higher creditability, we generally expect relatively lower mark-up on our estimated costs in our fee proposal to Government authority during tendering process in the past few years. However, in the recent year, we consider that our Group earns positive recognition from proven track record, solid past project experiences from various Government authorities, comprehensive industry experience and professional qualifications, all being favourable factors to increase the chances of being awarded new projects from Government authorities, therefore our Group could set our tender prices more flexibly than adopting a competitive pricing strategy, especially for those sophisticated projects. As a result, the gross profit margin from the projects directly awarded to us by Government authorities was 25.8%, 33.6% and 39.9% for FY2016, FY2017 and the three months ended 31 March 2018 respectively, which is lower than our overall gross profit margin but at an increasing trend.

The following table sets forth a breakdown of our gross profit and gross profit margin by reference to the nature of our services during the Track Record Period:

	FY2016		FY2017		Three months ended 31 March			
					2017		2018	
	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin	Gross profit	Gross margin
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(unaudited)							
Civil engineering	21,227	41.1	24,980	40.5	5,890	39.2	4,906	42.3
Traffic engineering	7,606	43.3	9,517	43.7	1,736	44.3	3,336	45.2
Other ancillary services	435	20.3	893	32.8	167	22.7	692	37.5
	<u>29,268</u>	41.0	<u>35,390</u>	41.0	<u>7,793</u>	39.6	<u>8,934</u>	42.9

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Other income

Our other income mainly comprised of (i) administrative services income, (ii) Government subsidies from two institutions, namely Hong Kong Vocational Training Council and the Construction Industry Council, for providing on-the-job training for graduate engineers and trainees, respectively, (iii) rental income and (iv) sundry income, totalling approximately HK\$0.8 million, HK\$0.5 million and HK\$58,000 for FY2016, FY2017 and the three months ended 31 March 2018, respectively.

For FY2016, we received administrative services income of HK\$0.4 million for providing one-off general administration services support to a subconsultant, rental income of HK\$0.1 million for temporary subletting part of our office to a subconsultant and Government subsidies of HK\$0.2 million. While for FY2017 and the three months ended 31 March 2018, we had received Government subsidies of approximately HK\$0.3 million and HK\$34,000 respectively.

Administrative expenses

Administrative expenses mainly comprised of salaries and other benefits for administrative staffs, staff messing, rental expenses, travelling and motor car running expenses, insurance and listing expenses. The table below sets forth a breakdown of our administrative expenses for periods indicated:

			Three months ended 31 March	
	FY2016	FY2017	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(unaudited)	
Staff costs	7,729	8,466	1,985	1,921
Listing expenses	–	–	–	3,721
Rent and related expenses	1,843	2,695	621	754
Travelling and motor car running expenses	644	891	268	80
Insurance	656	789	109	132
Depreciation	258	476	108	125
Printing, stationery and postage	389	440	109	132
Entertainment	488	353	97	98
Advertising and recruitment	387	209	73	34
Others	723	975	205	338
	<u>13,117</u>	<u>15,294</u>	<u>3,575</u>	<u>7,335</u>

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Staff costs represent salaries, bonus, allowances and emoluments provided to directors and our finance, accounting and administrative staffs as well as staff messing and welfare. For each of FY2016, FY2017 and the three months ended 31 March 2018, we had an average of 10, 11 and 11 directors, management and administrative staffs, respectively. Rent and related expenses represent the rent, rates and management fee paid for the properties which were used as our office during the Track Record Period. Travelling and motor car running expenses mainly incurred by the engineering staffs who perform their outgoing duties. During the Track Record Period, we have insured various type of insurance coverage, including professional indemnity insurance, employee's compensation insurance and medical insurance for full-time employees. Depreciation on property, plant and equipment is primarily related to furniture and fixtures and computer equipment.

Our Group also incurred other administrative expenses for operating our business and office, including printing, stationery, postage, courier, utilities, telecommunication charges, repair and maintenance, computer expenses etc.

For the three months ended 31 March 2018, our Group incurred listing expenses of HK\$3.7 million, which is non-recurring in nature.

Income tax expense

Our Group's revenue during the Track Record Period was derived in Hong Kong, and therefore, our Group was subject to profits tax in Hong Kong. Provision for Hong Kong profits tax was provided at the statutory profits tax rate of 16.5% of the estimated assessable profits for FY2016 and FY2017, and was calculated in accordance with the two-tiered profits tax regime for the three months ended 31 March 2018. The two-tiered profits tax rates regime was introduced in March 2018, under which the first HK\$2.0 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2.0 million will be taxed at 16.5%. The effective tax rates of our Group for FY2016, FY2017 and the three months ended 31 March 2018 were approximately 16.6%, 16.4% and 41.5% respectively. The effective tax rates for the three months ended 31 March 2018 is relatively higher, because the listing expenses of HK\$3.7 million was incurred but which is non-deductible for taxation purpose.

Also, our Group recognised deferred tax in relation to the accelerated tax depreciation.

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REVIEW OF HISTORICAL RESULTS OF OPERATION

FY2017 compared with FY2016

Revenue

Our revenue increased by HK\$14.9 million or 20.9%, from HK\$71.3 million for FY2016 to HK\$86.2 million for FY2017. We recorded an increase in all three major service types, namely civil engineering, traffic engineering and other ancillary services for FY2017:

	FY2016 <i>HK\$'000</i>	FY2017 <i>HK\$'000</i>	Change %
Civil engineering	51,597	61,702	19.6
Traffic engineering	17,576	21,795	24.0
Other ancillary services	<u>2,140</u>	<u>2,724</u>	<u>27.3</u>
	<u>71,313</u>	<u>86,221</u>	<u>20.9</u>

Civil engineering

The revenue derived from civil engineering services increased by HK\$10.1 million in FY2017, mainly attributable to top one project with initial contract sum of HK\$16.3 million which we provided engineering consultancy services at tender stage of the proposed development at the Integrated Waste Management Facilities Phase 1 at Shek Kwu Chau, successfully awarded by clients F and G jointly in November 2016 and completed in June 2017. For each of FY2016 and FY2017, the revenue recognised for this project were HK\$3.9 million and HK\$12.7 million respectively, as the project was at its preliminary stage in FY2016 but the substantial work has been performed and completed in FY2017.

Apart from the substantial contribution for our revenue growth from the above top one project, the revenue from civil engineering services also slightly increase due to the general increase in size of projects undertaken.

Traffic engineering

The increase in our revenue in respect of traffic engineering by 24.0% in FY2017 mainly due to the sustained investment in infrastructure boost the demand for our consultancy services, which resulted in more business opportunities being presented to us, which in turn allowed us to focus on pursuing projects of larger scales and higher contract sum, in which the revenue generated from a Government department responsible for regulation of public transport services and operation of transport infrastructure increased by HK\$1.3 million in FY2017.

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Cost of services

Our cost of services increased by approximately HK\$8.8 million or 20.9% from approximately HK\$42.0 million for FY2016 to approximately HK\$50.8 million for FY2017. The increase was mainly attributable to:

- the increase in our staff costs for staff directly involved in the provision of our services from approximately HK\$31.9 million for FY2016 to approximately HK\$36.7 million for FY2017, representing an increase of approximately HK\$4.8 million or approximately 14.9%, which was mainly as a result of salary raise and increase in headcount in FY2017 to reward and retain the staff due to the increased workload as a result of the growth in demand for our engineering consultancy services; and
- the increase in subconsultancy fees engaged by us from approximately HK\$10.1 million for FY2016 to approximately HK\$14.4 million for FY2017, representing an increase of approximately HK\$4.3 million or approximately 43.1%, which was mainly because more comprehensive technical advice in different consultancy aspects from our subconsultants were required for us to carry out the aforesaid mentioned top one civil engineering project.

Gross profit and gross profit margin

To response the increase in our revenue, our gross profit also increased by approximately HK\$6.1 million, representing an increase of 20.9%, from approximately HK\$29.3 million for FY2016 to approximately HK\$35.4 million for FY2017. The overall gross profit margin maintained at 41.0% for FY2016 and FY2017.

Construction contractors

Our gross profit from the projects awarded by construction contractors increased by HK\$4.7 million or 20.0% from HK\$23.6 million for FY2016 to HK\$28.4 million for FY2017, but the gross profit margin from these clients dropped from 45.8% for FY2016 to 43.1% for FY2017. It was mainly attributable to the top one project for providing our civil engineering services, which contributed gross profit of HK\$1.3 million in FY2016 as compared to HK\$4.3 million in FY2017. Since we considered it is relatively larger scale project, we determined its tender price based on a relatively lower expected margin because of the relatively larger absolute amount of profit expected to be derived. As a result, the contribution of this project to the gross profit increased but the gross profit margin was lowered slightly.

Government authorities

Our gross profit from Government authorities increased by HK\$1.9 million or 60.6% in FY2017, mainly due to the revenue growth resulting from the sustained investment in infrastructure boost the demand for our consultancy services, in which the revenue from Government departments responsible for public road affairs, regulation of public transport services and operation of transport infrastructure increased by HK\$3.3 million in FY2017.

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Our gross profit margin from Government authorities increased from 25.8% for FY2016 to 33.6% for FY2017 mainly due to (i) the civil engineering projects undertaken for Government authorities involving relatively more sophisticated designs of lift structure in FY2017, for which we had set higher tender pricing for acting as a buffer against unexpected works required in meeting our clients' specifications; and (ii) increase in staff efficiency under our management cost control measures in particular road and structural engineering projects.

Other income

Our other income decreased by approximately HK\$0.3 million, from approximately HK\$0.8 million for FY2016 to approximately HK\$0.5 million for FY2017, mainly due to a one-off general administrative support services to a subconsultant occurred in FY2016 but not in FY2017.

Administrative expenses

Our administrative expenses increased from approximately HK\$13.1 million for FY2016 to approximately HK\$15.3 million for FY2017 by approximately HK\$2.2 million, representing an increase of 16.6%. Such increase was mainly attributable to (i) increase in staff messing and welfare included in staff costs by approximately HK\$0.6 million or 9.5% due to more spending on annual firm vacation trip in order to reward our staff for the increased workload in FY2017; (ii) increase in rent and related expenses of HK\$0.9 million attributable to increasing space of leased properties and rising rental rates, our leased gross floor area increased from 3,084 sq.ft. as at 1 January 2016, to 4,613 sq.ft. as at 31 December 2016 and further increased to 4,846 sq.ft. as at 31 December 2017; and (iii) more spending on travelling and motor car running expenses by HK\$0.2 million in response to higher frequency of outgoing duties due to general increase in size of projects and incurred more motor car running expenses for a new motor car acquired in late 2016.

Income tax expense

We incurred income tax expenses of approximately HK\$2.8 million and HK\$3.4 million for FY2016 and FY2017 respectively, at relatively stable effective tax rates of 16.6% and 16.4%.

Profit and total comprehensive income for the year

As a result of the foregoing factors, our profit and total comprehensive income increased from HK\$14.2 million for FY2016 to HK\$17.2 million for FY2017 by 21.4%, in line with our revenue increased by 20.9%. Therefore, our Group's net profit margin maintained at 19.9% for FY2016 and FY2017.

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Three months ended 31 March 2018 compared with three months ended 31 March 2017

Revenue

Our revenue increased by HK\$1.1 million or 5.8%, from HK\$19.7 million for the three months ended 31 March 2017 to HK\$20.8 million for the three months ended 31 March 2018. Our traffic engineering and other ancillary services business have significant growth during the three months ended 31 March 2018, while our revenue from civil engineering services dropped by 22.8% for the same period.

	Three months ended 31 March		
	2017	2018	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
	(unaudited)		
Civil engineering	15,021	11,590	-22.8
Traffic engineering	3,915	7,373	88.3
Other ancillary services	737	1,846	150.5
	<u>19,673</u>	<u>20,809</u>	<u>5.8</u>

Civil engineering

For the three months ended 31 March 2017, the major revenue of civil engineering services was derived from top one project of FY2017 amounting to HK\$6.5 million, being 43.3% of the total revenue from civil engineering services of the period. As the top one project was completed in June 2017, thus no revenue was generated from this project for the three months ended 31 March 2018.

Traffic engineering

The revenue from our traffic engineering services increased significantly by HK\$3.5 million or 88.3% from HK\$3.9 million for the three months ended 31 March 2017 to HK\$7.4 million for the three months ended 31 March 2018, as our business exposure for pursuing the projects of large scales and higher contract sum was widening from both Government authority and construction contractors, benefited from the sustained investment in infrastructure push up the demand for our traffic engineering services. The revenue generated from Government authorities for the three months ended 31 March 2018 was higher than those of 2017 by HK\$1.0 million, mainly from a Government department responsible for regulation of public transport services and operation of transport infrastructure. Besides, our Group has engaged in more large scale projects for providing our traffic engineering services to construction contractors during the Track Record Period, the revenue contributed from those large-scale projects for the three months ended 31 March 2018 was higher than those of 2017 by HK\$1.3 million.

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Other ancillary services

The increase in the revenue from other ancillary services by HK\$1.1 million or 150.5% mainly due to the increase in the demand for our deployment services from Government authority responsible for the affairs of public housing for the three months ended 31 March 2018, as compared to the same period of 2017.

Cost of services

Our cost of services maintained similar level at HK\$11.9 million for the three months ended 31 March 2017 and 2018, while the revenue slightly increased by 5.8% for the three months ended 31 March 2018. Comparing two major components of our cost of services for the three months ended 31 March 2017 and 2018, the staff costs increased by 3.9% but subconsultancy fee decreased by 10.5%.

Staff costs increased by HK\$0.3 million or 3.9% from HK\$8.7 million for the three months ended 31 March 2017 to HK\$9.1 million for the three months ended 31 March 2018, mainly due to a mere increase in headcount of our engineering and other technical staff in order to cope with our growth.

However, the subconsultancy fee decreased by HK\$0.3 million from HK\$3.0 million for the three months ended 31 March 2017 to HK\$2.7 million for the three months ended 31 March 2018. The subconsultancy fee incurred for the three months ended 31 March 2017 was relatively higher mainly attributable to the top one project of FY2017, which was required to engage various subconsultants to provide comprehensive technical advice in different consultancy aspects, until the project was completed in June 2017. Other than the aforesaid top one project, no such similar project requires high demand in subconsultancy service during the three months ended 31 March 2018.

Gross profit and gross profit margin

In line with the increasing trend of revenue from our engineering services, our gross profit increased by HK\$1.1 million or 14.6%, from HK\$7.8 million for the three months ended 31 March 2017 to HK\$8.9 million for the three months ended 31 March 2018. Our overall gross profit margin also improved from 39.6% for the three months ended 31 March 2017 to 42.9% for the three months ended 31 March 2018. Among all client type, our gross profit and corresponding gross profit margin increased or improved for the three months ended 31 March 2018, except for our gross profit contributed from construction contractors decreased by 22.2%.

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Construction contractors

Our gross profit from the projects awarded by construction contractors decreased by HK\$1.6 million, from HK\$7.2 million for the three months ended 31 March 2017 to HK\$5.6 million for the three months ended 31 March 2018. Such decrease was mainly resulted from the completion of the aforesaid top one project in June 2017, which contributed the gross profit of HK\$2.1 million with a relatively lower gross profit margin for the three months ended 31 March 2017. Therefore, our gross profit from construction contractors, not take into account the top one project, increased by 9.8% for the three months ended 31 March 2018 in line with our business growth.

Our gross profit margin from the projects awarded by construction contractors slightly improved to 43.8% for the three months ended 31 March 2018 from 42.4% for the three months ended 31 March 2017, since no the top one project or similar relatively lower gross profit margin projects was undertaken during the three months ended 31 March 2018.

Government authority

Our gross profit from the projects awarded to us directly by Government authorities increased significantly by HK\$2.3 million or 380.1%, from HK\$0.6 million for the three months ended 31 March 2017 to HK\$2.9 million for the three months ended 31 March 2018, which in line with the growing demand for our engineering services by Government authorities whose revenue contribution increased by 165.2% or HK\$4.5 million. Such demand growth was attributable to (i) the demand for our deployment services from Government authority responsible for the affairs of public housing has increased for the three months ended 31 March 2018; and (ii) the revenue from Government departments responsible for public road affairs, regulation of public transport services and operation of transport infrastructure increased by HK\$2.3 million resulting from the sustained investment in infrastructure boost the demand for our engineering services.

For the three months ended 31 March 2018, our gross profit margin from the projects awarded to us directly by Government authorities raise sharply to 39.9%, as compared to 22.1% for the same period of 2017. It was mainly resulted from (i) more revenue from deployment services for Government authority responsible for the affairs of public housing, for which services generally are carried with relatively higher gross profit margin ranging from 40% to 50%; (ii) civil engineering projects involving relatively sophisticated designs of lift structure awarded to us directly from Government authorities with higher tender price in the second half of 2017 with average gross profit margin of around 50%, which contributed significant portion of gross profit for the three months ended 31 March 2018; and (iii) improvement on staff efficiency under our management cost control measure in particular road and structural engineering projects.

Other income

Our other income decreased by HK\$0.1 million from HK\$0.2 million for the three months ended 31 March 2017 to HK\$58,000 for the three months ended 31 March 2018, mainly due to less government subsidies received.

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Administrative expenses

Our administrative expenses increased from HK\$3.6 million for the three months ended 31 March 2017 to HK\$7.3 million for the three months ended 31 March 2018, by HK\$3.8 million or 105.2%, mainly resulted from non-recurring listing expenses of approximately HK\$3.7 million. Other administrative expenses have no material fluctuation as compared the three months ended 31 March 2017 and 2018.

Income tax expense

Income tax expense maintained similar level at HK\$0.7 million for the three months ended 31 March 2017 and 2018, however the effective tax rate increased from 16.0% to 41.5% for the respective periods. Such increase in effective tax rate was attributable to the listing expenses of HK\$3.7 million which is non-deductible for taxation purpose.

Profit and total comprehensive income for the period

As a result of the foregoing factors, our profit and total profit comprehensive income decreased from HK\$3.7 million for the three months ended 31 March 2017 to HK\$1.0 million for the three months ended 31 March 2018, and net profit margin decreased from 18.9% to 4.7% for the respective periods accordingly. The drop of net profit was mainly resulted from non-recurring listing expenses of HK\$3.7 million, our adjusted net profit and net profit margin, not take into account this expense, would be increased to HK\$4.7 million and 22.5% respectively for the three months ended 31 March 2018.

ANALYSIS OF CERTAIN ITEMS ON THE COMBINED STATEMENTS OF FINANCIAL POSITION

Property, plant and equipment

Our property, plant and equipment consisted of leasehold improvements, furniture and fixtures, computer equipment and motor vehicles. As at 31 December 2016 and 2017 and 31 March 2018, the carrying amount of property, plant and equipment amounted to approximately HK\$1.2 million, HK\$1.4 million and HK\$1.4 million respectively.

Contract balances

Our revenue is measured based on the consideration specified in a contract with a client and excludes amounts collected on behalf of third parties. Under the contracts with clients, each consultancy service contract relates to facts and circumstances that are specific to each client. Contract terms provide our Group with an enforceable right to payment, for our performance completed to date, of its costs incurred plus a reasonable margin.

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Our revenue from provision of engineering consultancy services is recognised progressively based on contract costs incurred to date as a percentage of total forecast costs to depict the transfer of control of the goods or services to the clients. Our Group presents a contract liability or a contract asset in our combined statements of financial position when either party to the contract has performed. Our Group performs by transferring services to the client, and the client performs by paying consideration to our Group. The following table sets forth the contract assets and liabilities as at each reporting date:

	As at 31 December		As at
	2016	2017	31 March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract assets	6,077	7,338	10,236
Contract liabilities	1,907	657	847

The contract assets primarily relate to our Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advanced consideration received from clients, for which revenue is recognised based on the progress of the provision of related services.

Our contract assets and liabilities are normally affected by (i) the amount of works handled by our Group at the time close to the end of each reporting period by reference to the service costs incurred for and the budgeted costs of the projects; and (ii) the timing of progress billing for the project progress recorded by us, which can vary from period to period.

The increasing trend of contract assets during the Track Record Period was mainly attributable to the general increase in size of projects undertaken by our Group. In addition, during the late of 2017 and first quarter of 2018, certain new medium-to-large size projects were awarded and commenced to work, but the amounts were not yet billed as at 31 March 2018 as the payment milestones have not yet been reached according to their corresponding contracts. On the other side, the contract liabilities as at 31 December 2016 was higher than expected, because the top one project of FY2016 and FY2017 was just commenced in November 2016 but our Group had received the progress billing at this preliminary stage according to the milestone. As a result, the amount received was higher than the amount of works handled by our Group at the time of close to the end of December 2016. Since the top one project has been completed in June 2017 and no such progress billing of similar large scale project was received in late 2017 and first quarter of 2018, thus the contract liabilities as at 31 December 2017 and 31 March 2018 resumed to normal level.

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The following table sets out the details of our projects with material contract assets balance as at 31 March 2018:

Type of clients	Nature and site of the project	Nature of services	The contract sum <i>(Note 1)</i> HK\$'000	Date of commencement and completion of our works	Contract assets as at 31 March 2018 HK\$'000	Subsequent billing after 31 March 2018 and up to the Latest Practicable Date HK\$'000	Settlement for the subsequent billing after 31 March 2018 and up to the Latest Practicable Date HK\$'000
Government authority responsible for civil engineering works	Riverwall and other improvement works in Tai O	Civil engineering and traffic engineering consultancy	5,181	Commencement: December 2009 Expected completion: December 2022	993	92	66
Government authority responsible for civil engineering works	Design, investigation and construction of barrier-free access facilities at public footbridges, elevated walkways and subways	Civil engineering consultancy	6,690	Commencement: June 2013 Expected completion: July 2023	547	251	223
Government authority responsible for public road affairs	Investigation and improvement to Fan Kam Road	Civil engineering consultancy	3,182	Commencement: September 2013 Expected completion: September 2018	480	–	–
Government authority responsible for public road affairs	Design and construction of barrier-free access facilities at public footbridges, elevated walkways and subways	Civil engineering consultancy	5,790	Commencement: January 2014 Expected completion: May 2019	405	405	405
A construction contractor	Tender submission for road widening and retrofitting noise barriers on Tai Po Road	Traffic engineering consultancy	600	Commencement: March 2018 Completion: April 2018	400	400	–
Government authority responsible for civil engineering works	Design and construction of cycle tracks from Tuen Mun to Sheung Shui for the remaining works	Advisory services on the implementation of contract administration procedures	3,289	Commencement: June 2016 Expected completion: November 2019	288	288	236
Client E	Reconstruction, improvement and rehabilitation of Kai Tak River from Wong Tai Sin Police Station to Tung Tau II Estate	Civil engineering and traffic engineering consultancy	1,580	Commencement: April 2012 Expected completion: March 2019	270	270	–
A construction contractor	Development of public residential tower blocks in Shatin	Civil engineering consultancy	740	Commencement: July 2016 Expected completion: December 2018	259	259	–

FINANCIAL INFORMATION

Type of clients	Nature and site of the project	Nature of services	The contract sum ^(Note 1) HK\$'000	Date of commencement and completion of our works	Contract assets as at 31 March 2018 HK\$'000	Subsequent billing after 31 March 2018 and up to the Latest Practicable Date HK\$'000	Settlement for the subsequent billing after 31 March 2018 and up to the Latest Practicable Date HK\$'000
A construction contractor	Temporary traffic management schemes preparation for Trial Pits	Traffic engineering consultancy	952	Commencement: May 2018 Expected completion: August 2021	255	119	68
					3,897	2,084	998
	Others ^(Note 2)				6,339	4,921	2,150
					10,236	7,005	3,148

Notes:

- The contract sum does not take into account variation orders issued by our clients and is only based on the initial agreement between our Group and our clients.
- Others represented our other projects with contract assets amount less than HK\$250,000 as at 31 March 2018.

In respect of our contract assets as at 31 March 2018 of approximately HK\$10.2 million, (i) approximately HK\$7.0 million (equivalent to 68.4% of the contract assets balance) were subsequently billed up to the Latest Practicable Date, and (ii) approximately HK\$3.1 million (equivalent to 44.9% of the amount subsequently billed) were subsequently settled up to the Latest Practicable Date.

Progress billing for majority projects are billed on a timely basis when the payment milestones have been reached according to the contracts. Therefore, 74.8% of the contract assets as at 31 March 2018 (other than Tai O Project) have been subsequently billed up to the Latest Practicable Date. Our Directors estimated that 92.1% of unbilled contract assets (other than Tai O Project) would be billed within August to September 2018 according to the milestones as stated in the contracts.

Of the HK\$10.2 million contract assets, approximately HK\$1.0 million is derived from Tai O Project, which relates to our works performed pursuant to our contract with the Government authority. According to information publicly available, the forthcoming phase of the Tai O Project is expected to substantially commence after the third quarter of 2019. Accordingly, based on the work schedule of the Tai O Project and our communication with the Government authority, we are expected to delivery our next deliverable under our engagement and bill the relevant contract assets by around the third quarter of 2019.

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Trade and other receivables

The following table sets out the trade and other receivables as at 31 December 2016 and 2017 and 31 March 2018.

	As at 31 December		As at 31
	2016	2017	March
	HK\$'000	HK\$'000	2018
			HK\$'000
Trade receivables	18,484	19,809	15,629
Other receivables and prepayments	2,144	5,112	4,422
Utility and other deposits	159	198	201
	<u>20,787</u>	<u>25,119</u>	<u>20,252</u>

Trade receivables

Our trade receivables mainly represented the outstanding billing relating to the provision for consultancy services. The following tables set out the aging analysis and trade receivables turnover days as of the dates indicated:

	As at 31 December		As at 31
	2016	2017	March
	HK\$'000	HK\$'000	2018
			HK\$'000
0 – 30 days	4,502	6,175	7,089
31 – 60 days	7,999	3,557	4,468
61 – 90 days	2,573	5,043	1,034
91 – 365 days	3,296	4,683	2,997
Over 365 days	114	351	41
	<u>18,484</u>	<u>19,809</u>	<u>15,629</u>

			Three months ended 31
	FY2016	FY2017	March
			2018
Average trade receivables turnover days <i>(Note)</i>	88	81	77

Note: Average trade receivables turnover days are calculated by dividing the average of opening and ending balance of trade receivables for the relevant year/period by revenue and multiplying by the number of days in the relevant year/period.

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As our projects operates on a non-recurring and project-by-project basis, our revenue recognised during the Track Record Period may fluctuate subject to the size and the progress of our works at a given time thereby affecting our trade receivables balance as at the end of reporting period and the trade receivables turnover days during the Track Record Period.

Our trade receivables increased by 7.2% from approximately HK\$18.5 million as at 31 December 2016 to approximately HK\$19.8 million as at 31 December 2017, mainly due to general increase in size of projects awarded, and thus in line with the revenue growth and given no material change of repayment practice by our clients, that the average trade receivables turnover days maintained similar level at 88 days and 81 days for FY2016 and FY2017 respectively. Although our revenue was in an increasing trend during the three months ended 31 March 2018, our trade receivables reduced to HK\$15.6 million as at 31 March 2018 which attributable to proactive collection actions taken by our management to collect overdue receivables during the three months ended 31 March 2018. As a result, the trade receivables aged over 60 days decreased from HK\$10.1 million as at 31 December 2017 to HK\$4.1 million as at 31 March 2018, by 59.6%. Accordingly, the trade receivables which are past due but not impaired also significantly reduced by 51.4% as at 31 March 2018 when compared to 31 December 2017. The average trade receivable turnover days slightly further improved to 77 days for the three months ended 31 March 2018.

Our Group usually provide clients with a credit term of 0 to 60 days. For the settlement of trade receivables from provision of consultancy services, our Group usually reaches an agreement on the term of each payment with the client by taking into account of factors such as the credit history of the client, its liquidity position and our Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management. The following table set out the aging analysis of trade receivables which are past due but not impaired as at the dates indicated:

	As at 31 December		As at 31
	2016	2017	March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
1 – 30 days	2,654	5,718	2,183
31 – 60 days	949	1,507	566
61 – 90 days	449	452	388
Over 90 days	<u>2,183</u>	<u>3,103</u>	<u>2,106</u>
	<u>6,235</u>	<u>10,780</u>	<u>5,243</u>

Of the trade receivables which are past due but not impaired as at 31 March 2018, approximately HK\$3.8 million was brought forward from the balance as at 31 December 2017, among which, approximately 68.4% (equivalent to HK\$2.6 million) was subsequently settled as at the Latest Practicable Date. Our Directors confirm that none of the trade receivables as at 31 March 2018 were under dispute with our relevant clients as at the Latest Practicable Date.

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Trade receivables which were past due but not impaired related to a number of independent clients that have a good track record with our Group. Based on historical and forward looking elements of our Group, management believes that no impairment allowance is necessary in respect of these balances as there has not been significant change in credit quality of these customers and the balances are still considered fully recoverable. Our Group does not hold any collateral over these balances.

At each reporting date, we have reviewed trade receivables for evidence of impairment on both an individual and collective basis. Based on this assessment, no provision for impairment has been recognised during the Track Record Period.

As at Latest Practicable Date, approximately 75.6% (equivalent to HK\$11.7 million) of the balance of trade receivables as at 31 March 2018 has been settled.

Other receivables and prepayment

Our other receivables and prepayment mainly represented resident site staff salary and medical insurance paid as well as secondment staff salaries, which have been fully reimbursed from Government authorities subsequently. In respect of projects awarded to us by the Government, we may be required to recruit resident site staff to perform site supervision and maintain proper records of site activities. Pursuant to the contract terms, our actual expenditure paid to those resident site staff employed by us are entitled to be reimbursed by the Government on a monthly basis. Other than above, our Group also has prepaid listing expenses of HK\$1.5 million as at 31 March 2018.

The increase of our other receivables and prepayment as at 31 December 2017 when compared to 31 December 2016 was primarily due to the increase in number of resident site staff and the salary paid to them. As at 31 March 2018, the other receivables and prepayment decreased by HK\$0.7 million as compared to 31 December 2017, mainly attributable to (i) the receivables for resident site staff from Government Authority reduced by HK\$2.1 million due to Government authorities reimbursed us the resident site staff salary which we paid on their behalf before 31 March 2018, but (ii) offsetting by listing expenses of HK\$1.5 million was prepaid as at 31 March 2018.

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Provisions

We has made provisions in respect of the Tai O Project and employee benefits during the Track Record Period. The provision for employee benefits represents annual leave and long service payment.

	As at 31 December		As at 31
	2016	2017	March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Tai O Project	2,605	1,910	1,893
Employee benefits	<u>296</u>	<u>296</u>	<u>296</u>
	<u>2,901</u>	<u>2,206</u>	<u>2,189</u>

As at 31 December 2016 and 2017 and 31 March 2018, our Group had a provision of HK\$2.6 million, HK\$1.9 million and HK\$1.9 million for the Tai O Project respectively, of which the expected unavoidable costs of meeting the performance obligation as stated in engineering design consultancy contract have exceeded the economic benefits expected to be received.

For details of the Tai O Project, please refer to the section headed “Business – Loss making project during the Track Record Period” in this prospectus.

Trade and other payables

Our trade and other payables are principally related to (i) the works or services performed by subconsultants for our projects, and (ii) accrued staff bonus. The following table sets out the breakdown of trade and other payables as at each reporting date:

	As at 31 December		As at 31
	2016	2017	March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	1,661	1,236	2,178
Accruals and other payables	<u>4,120</u>	<u>4,167</u>	<u>6,013</u>
	<u>5,781</u>	<u>5,403</u>	<u>8,191</u>

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Trade payables

The table below sets out the aging analysis of our trade payables as at the respective end of reporting periods.

	As at 31 December		As at 31
	2016	2017	March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	1,312	433	903
31 – 60 days	57	41	122
61 – 90 days	178	39	21
91 – 365 days	104	616	1,069
Over 365 days	10	107	63
	<u>1,661</u>	<u>1,236</u>	<u>2,178</u>
			Three
			months
			ended 31
			March
	FY2016	FY2017	2018
Average trade payables turnover days <i>(Note)</i>	50	37	58

Note: Average trade payables turnover days are calculated by dividing the average of opening and ending balance of trade payables for the relevant year/period by subconsultancy fees and multiplying by the number of days in the relevant year/period.

Trade payables as at 31 December 2017 were approximately HK\$1.2 million, decreased by approximately 25.6% as compared to the balance of HK\$1.7 million as at 31 December 2016, mainly due to subconsultancy fee of HK\$0.8 million in relating to the top one project was incurred close to December 2016. Such payable of HK\$0.8 million was paid when the top one project completed in FY2017. However, our trade payables as at 31 March 2018 increased to HK\$2.2 million by HK\$0.9 million, mainly because our management was in the process of negotiation with Subconsultant J, who is also one of our clients, to settle its subconsultancy fee by offsetting with trade receivables from Subconsultant J. Therefore such trade payables was deferred for settlement during the three months ended 31 March 2018.

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Furthermore, the average trade payables turnover days dropped from 50 days for FY2016 to 37 days for FY2017, mainly attributable to higher trade payables balance as at 31 December 2016 resulting from the aforesaid subconsultancy fee of HK\$0.8 million. However, the average trade payable turnover days for the three months ended 31 March 2018 raise again to 58 days, due to the deferral settlement of trade payables under negotiation as mentioned above.

As at the Latest Practicable Date, 76.7% (equivalent to HK\$1.7 million) of the balance of trade payables as at 31 March 2018 has been settled.

Accruals and other payables

As at 31 December 2016 and 2017, our accruals and other payables mainly represented accrued bonus to staff. Such bonus has been paid to our staff subsequently. As at 31 March 2018, our accruals and other payables mainly comprised accrued bonus to staff for the first quarter of 2018 and accrued listing expenses of HK\$4.9 million.

Amount due to a director

Our amount due to a director, Mr. Cheung, also the Controlling Shareholder of our Group, was HK\$5.5 million and HK\$8.1 million as at 31 December 2016 and 2017 respectively. The amount due is non-trade in nature, unsecured, non-interest bearing and repayable on demand, among which, HK\$4.3 million and HK\$8.1 million as at 31 December 2016 and 2017, respectively, was resulted from dividends declared to Mr. Cheung in respect of the financial year 2015 and 2016 by Mannings, a subsidiary of our Group. During the three months ended 31 March 2018, the amount due to a director as at 31 December 2017 has been fully settled.

Amount due to a related party

The amount due to a related party, Ms. Chiu was HK\$1.2 million as at 31 December 2016 and 2017 and 31 March 2018. The amount due is non-trade in nature, unsecured, non-interest bearing and repayable on demand. As at the Latest Practicable Date, the amount due to a related party has been fully settled.

FINANCIAL INFORMATION

LIQUIDITY AND CAPITAL RESOURCES

Overview

The following table sets out the selected cash flow data from our Group's combined cash flow statements for the periods indicated.

			Three months ended	
			31 March	
	FY2016	FY2017	2017	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			<i>(unaudited)</i>	
Net cash generated from operating activities	11,864	9,483	5,493	6,712
Net cash used in investing activities	(995)	(683)	(159)	(136)
Net cash (used in)/generated from financing activities	<u>(8,680)</u>	<u>(9,594)</u>	<u>–</u>	<u>8,927</u>
Net increase/(decrease) in cash and cash equivalents	2,189	(794)	5,334	15,503
Cash and cash equivalents at beginning of the year/period	<u>6,960</u>	<u>9,149</u>	<u>9,149</u>	<u>8,355</u>
Cash and cash equivalents at end of the year/period	<u><u>9,149</u></u>	<u><u>8,355</u></u>	<u><u>14,483</u></u>	<u><u>23,858</u></u>

Our Group financed our operations and growth mainly through cash from operations internally, and we applied our cash mainly to finance our operations under normal course of business. The liquidity position is monitored by our executive Directors and our Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the shorter and longer term. We monitor our liquidity requirements primarily by reviewing the maturities of our assets and liabilities with an objective to ensure that we have sufficient funds to meet obligations as they become due.

Cash flow from operating activities

Our Group derived our cash inflow from operating activities primarily from the engineering consultancy fee received from clients, while our cash outflow from operations principally reflects payments for staff costs and subconsultancy fee to subconsultants.

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Net cash generated from operating activities for FY2016 amounted to approximately HK\$11.9 million. Our net cash inflow from operating activities after adjusting for non-cash items but before changes in working capital was approximately HK\$17.2 million. The difference of approximately HK\$5.3 million was mainly attributable to the combined effect of (i) the increase in trade and other receivables of approximately HK\$2.8 million mainly due to general increase in size of projects undertaken, and (ii) the income tax payment of approximately HK\$2.6 million.

Net cash generated from operating activities for FY2017 amounted to approximately HK\$9.5 million. Our net cash inflow from operating activities after adjusting for non-cash items but before changes in working capital was approximately HK\$21.0 million. The difference of approximately HK\$11.6 million was mainly attributable to the combined effect of (i) the increase in trade and other receivables of approximately HK\$4.3 million mainly due to general increase in size of projects awarded, (ii) the increase in contract assets of HK\$1.3 million, (iii) the decrease in the contract liabilities of HK\$1.3 million, (iv) the decrease in amount due to a director of approximately HK\$1.2 million through cash settlement, and (v) the income tax payment of approximately HK\$2.4 million.

Net cash generated from operating activities for the three months ended 31 March 2018 amounted to approximately HK\$6.7 million. Our net cash inflow from operating activities after adjusting for non-cash items but before changes in working capital was approximately HK\$1.7 million. The difference of approximately HK\$5.0 million was mainly attributable to better working capital management of (i) the decrease in trade and other receivables of approximately HK\$4.9 million mainly due to improvement of debt collection during the period in particular those aged trade receivables, and (ii) increase in trade and other payables of approximately HK\$2.8 million due to the deferral of subconsultancy fee settlement under negotiation and accrual for listing expenses, but offsetting by (iii) increase in contract assets of HK\$2.9 million that the costs incurred for certain new projects awarded have not been billed as the payment milestones according to the contract term has not been reached.

Cash flow from investing activities

Our cash outflow for investing activities was primarily in respect of the purchase of property, plant and equipment. Our cash inflow from investing activities primarily consisted of proceeds from disposal of property, plant and equipment, and interest received.

During FY2016, FY2017 and the three months ended 31 March 2018, our net cash used in investing activities amounted to approximately HK\$1.0 million, HK\$0.7 million and HK\$0.1 million respectively, which was mainly attributable to acquire property, plant and equipment in the respective years.

Cash flow from financing activities

Our cash outflow for financing activities primarily consists of dividends to the shareholders. Our cash inflow from financing activities primarily consisted of proceeds from the issue of shares to Pre-IPO Investors.

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During FY2016 and FY2017, our net cash used in financing activities amounted to HK\$8.7 million and HK\$9.6 million which was solely attributable to dividends paid to Mr. Cheung, the then shareholder of Mannings, a subsidiary of our Group.

During the three months ended 31 March 2018, our net cash generated from financing activities amounted to HK\$8.9 million, comprising (i) proceeds of HK\$12.0 million from the issue of shares to Pre-IPO Investors as part of the Reorganisation; but offsetting (ii) a dividend payment of HK\$3.1 million to Mr. Cheung which the dividends was declared by Mannings previously.

NET CURRENT ASSETS

Our Group recorded net current assets of approximately HK\$17.7 million, HK\$21.3 million, HK\$39.3 million and HK\$39.5 million, respectively, as at 31 December 2016 and 2017, 31 March 2018 and 30 June 2018. The following table sets forth the breakdown of our Group's current assets and liabilities as at the dates indicated:

	As at 31 December		As at 31	As at 30
	2016	2017	March	June
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
Current assets				
Contract assets	6,077	7,338	10,236	10,814
Trade and other receivables	20,787	25,119	20,252	27,770
Cash and bank balances	<u>9,149</u>	<u>8,355</u>	<u>23,858</u>	<u>13,590</u>
	<u>36,013</u>	<u>40,812</u>	<u>54,346</u>	<u>52,174</u>
Current liabilities				
Contract liabilities	1,907	657	847	580
Provisions	2,901	2,206	2,189	2,189
Trade and other payables	5,781	5,403	8,191	6,915
Amount due to a director	5,514	8,073	–	–
Amount due to a related party	1,200	1,200	1,200	–
Current tax liabilities	<u>1,017</u>	<u>1,959</u>	<u>2,639</u>	<u>2,985</u>
	<u>18,320</u>	<u>19,498</u>	<u>15,066</u>	<u>12,669</u>
Net current assets	<u><u>17,693</u></u>	<u><u>21,314</u></u>	<u><u>39,280</u></u>	<u><u>39,505</u></u>

As at 30 June 2018, we had net current assets of approximately HK\$39.5 million. The key components of our current assets as at 30 June 2018 included contract assets of approximately HK\$10.8 million, trade and other receivables of approximately HK\$27.8 million and cash and bank balances of approximately HK\$13.6 million. The key components

FINANCIAL INFORMATION

of our current liabilities included trade and other payables of approximately HK\$6.9 million, provisions of approximately HK\$2.2 million and current tax liabilities of approximately HK\$3.0 million.

Our net current assets increased by approximately HK\$0.2 million or 0.6% from approximately HK\$39.3 million as at 31 March 2018 to approximately HK\$39.5 million as at 30 June 2018 was primarily driven by (i) repayment of amount due to a related party of HK\$1.2 million, and (ii) non-recurring listing expenses of HK\$5.3 million was further paid and incurred.

As at 31 March 2018, we had net current assets of approximately HK\$39.3 million. The key components of our current assets as at 31 March 2018 included contract assets of approximately HK\$10.2 million, trade and other receivables of approximately HK\$20.3 million and cash and bank balances of approximately HK\$23.9 million. The key components of our current liabilities included trade and other payables of approximately HK\$8.2 million, provisions of approximately HK\$2.2 million and current tax liabilities of approximately HK\$2.6 million.

Our net current assets increased by approximately HK\$18.0 million or approximately 84.3% from approximately HK\$21.3 million as at 31 December 2017 to approximately HK\$39.3 million as at 31 March 2018 was primarily driven by the proceeds from the Pre-IPO Investments and Loan Capitalisation. As the proceeds from the Pre-IPO Investments were received between mid to late March, and such proceeds have remain unutilised as at 31 March 2018. During the three months ended 31 March 2018, Mr. Cheung, the director of our Group has capitalised part of his shareholder's loan of approximately HK\$5.0 million, in return a subsidiary of our Group to issue and allot 4,999,900 new ordinary shares to him.

As at 31 December 2017, we had net current assets of approximately HK\$21.3 million. The key components of our current assets as at 31 December 2017 included contract assets of approximately HK\$7.3 million, trade and other receivables of approximately HK\$25.1 million and cash and bank balances of approximately HK\$8.4 million. The key components of trade and other payables of approximately HK\$5.4 million and provisions of approximately HK\$2.2 million, and amount due to a director of approximately HK\$8.1 million.

Our net current assets slightly increased by approximately HK\$3.6 million or approximately 20.5% from approximately HK\$17.7 million as at 31 December 2016 to approximately HK\$21.3 million as at 31 December 2017 was primarily driven by (i) increase in contract assets of approximately HK\$1.3 million; (ii) increase in trade and other receivables of approximately HK\$4.3 million due to general increase in size of projects, but offset by (iii) increase in amount due to a director of approximately HK\$2.6 million as a result of dividend of HK\$13.4 million declared to the director (who was also the then shareholder) by a subsidiary of our Group, in which HK\$3.8 million were settled through current account and HK\$9.6 million were settled by cash, as well as cash repayment of HK\$1.2 million.

FINANCIAL INFORMATION

SUFFICIENCY OF WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration the financial resources presently available to us, including our internal resources, and the estimated net proceeds from the Share Offer, our Group has sufficient working capital for its present requirements, that is, for at least the next 12 months commencing from the date of this prospectus.

We expect to finance our operations through a combination of operating cash inflows, draw down of banking facilities available to our Group and proceeds from the Share Offer.

INDEBTEDNESS AND CONTINGENT LIABILITIES

Save as disclosed below or as otherwise disclosed herein, at the close of business on 30 June 2018, being the latest practicable date on which such information was available to us, our Group had no outstanding borrowings and did not have any available banking facilities and unutilised banking facilities.

	As at 31 December		As at 31 March	As at 30 June
	2016	2017	2018	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(unaudited)
Current:				
Amount due to a director	5,514	8,073	–	–
Amount due to a related party	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>	<u>–</u>
	<u>6,714</u>	<u>9,273</u>	<u>1,200</u>	<u>–</u>

Apart from normal trade payables and save as disclosed above, our Group did not have, at the closure of business on 30 June 2018, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, finance lease commitments, guarantees or other material contingent liabilities. Our Directors confirm that there had not been any material change in our indebtedness and contingent liabilities since 30 June 2018 and up to the Latest Practicable Date.

As at the Latest Practicable Date, our Group was in process of applying for a new banking facility to increase the maximum amount of bank overdraft and loan available for our Group. The expected total amount of the new banking facility will be approximately HK\$20.0 million. We have made the aforesaid application for the new banking facility mainly to provide a back-up source of funding in supporting our daily operations to enable us to preserve an adequate level of internal cash resources for meeting our various liquidity needs from time to time as we intend to undertake additional and/or sizeable projects, which would impose greater requirements on our working capital.

FINANCIAL INFORMATION

As at the Latest Practicable Date, we were not involved in any material legal proceedings, nor were we aware of any pending or potential material legal proceedings involving our Group. If our Group is involved in any material legal proceedings in the future, and based on information then available, it is likely that a loss has been incurred and the amount of the loss can be reasonably estimated, we would then record a contingent liability.

KEY FINANCIAL RATIOS

The following tables set forth the summary of our key financial ratios as of the dates or for the periods indicated:

	FY2016	FY2017	Three months ended 31 March 2018
Gross profit margin (%)	41.0	41.0	42.9
Net profit margin (%)	19.9	19.9	4.7
Return on equity (%)	75.7	76.2	2.4
Return on total assets (%)	38.1	40.8	1.7

	As at 31 December 2016	2017	As at 31 March 2018
Current ratio	2.0	2.1	3.6
Quick ratio	2.0	2.1	3.6

Notes:

- (1) Gross profit margin is calculated as gross profit for the respective year/period divided by revenue of the respective reporting year/period.
- (2) Net profit margin is calculated as net profit for the respective year/period divided by revenue of the respective reporting year/period.
- (3) Return on equity is calculated by dividing net profit attributable to equity shareholders for the respective year/period by total equity attributable to equity shareholders as of the end of the respective year/period.
- (4) Return on total assets is calculated by dividing net profit attributable to equity shareholders for the respective year/period by total assets as of the end of the respective year/period.
- (5) Current ratio is calculated based on the total current assets for the respective year/period divided by total current liabilities as of the end of the respective year/period.
- (6) Quick ratio is calculated based on the current assets less inventories for the respective year/period divided by current liabilities as of the end of the respective year/period.

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Details of gross profit margin and net profit margin, are set out in the paragraph headed “Principal Components of Results of Operation” in this section.

Return on equity

Our return on equity maintain relatively stable at 75.7% and 76.2% for FY2016 and FY2017 respectively, which was mainly due to increase in net profit attributable to equity shareholders for both financial years and increase in the total equity attributable to equity shareholders are in similar proportion, given the dividend distribution are stable in both years, and the remaining profit attributable to equity shareholders are reserved for business development.

Our return on equity decreased to 2.4% for the three months ended 31 March 2018 from 76.2% for FY2017 primarily due to i) the listing expenses incurred during the period; ii) the increase in equity as a result of the issue of shares to Pre-IPO Investors in March 2018; and iii) only three months results was accounted for. If our listing expenses of approximately HK\$3.7 million were excluded, our return on equity would have been 11.6%.

Return on total assets

Our return on total assets increased slightly from 38.1% for FY2016 to 40.8% for FY2017, which was mainly due to increase in net profit attributable to equity shareholders for both financial years and the increase in total assets are in similar proportion.

Our return on total assets decreased to 1.7% for the three months ended 31 March 2018 from 40.8% for FY2017 primarily due to i) the listing expenses incurred during the period; ii) the increase in total assets, in particular the cash and bank balances as a result of the issue of shares to Pre-IPO Investors in March 2018; and iii) only three months results was accounted for. If our listing expenses of approximately HK\$3.7 million were excluded, our return on equity would have been 8.4%.

Current ratio

Our current ratio maintained at 2.0 and 2.1 as at 31 December 2016 and 2017 respectively, and improved to 3.6 as at 31 March 2018. It was attributable to increase in cash and bank balances resulted from the proceeds of HK\$12.0 million from issue shares to Pre-IPO Investors.

Quick ratio

Our quick ratio maintained at 2.0 and 2.1 as at 31 December 2016 and 2017 respectively, and improved to 3.6 as at 31 March 2018. It was attributable to increase in cash and bank balances resulted from the proceeds of HK\$12.0 million from issue shares to Pre-IPO Investors.

FINANCIAL INFORMATION

CONTRACTUAL ARRANGEMENTS AND COMMITMENTS

We expect to fund our contractual commitments and capital expenditure principally through cash generated from our operating activities. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months.

Capital expenditure and commitment

Our capital expenditure mainly comprises purchases of furniture and fixtures, computes, equipment, motor vehicles and leasehold improvements, amounting to approximately HK\$1.0 million, HK\$0.7 million and HK\$0.1 million for FY2016, FY2017 and the three months ended 31 March 2018 respectively. Our capital expenditure was funded by internal resources during the Track Record Period.

No capital commitment was contracted for at the end of each reporting periods.

Operating lease commitment

We lease various premises under non-cancellable operating lease agreements. The leases typically run for an initial period of two to ten years. The leases do not include contingent rentals. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 December		As at 31
	2016	2017	March
	HK\$'000	HK\$'000	2018
			HK\$'000
Within one year	2,220	2,849	1,943
In the second of fifth years	6,950	6,596	4,170
After five years	<u>5,270</u>	<u>4,127</u>	<u>3,099</u>
	<u>14,440</u>	<u>13,572</u>	<u>9,212</u>

Most of such operating lease agreements will be terminated and superseded by new agreements for a term of three years from the Listing Date. For details, please refer to the paragraph headed “Business – Properties – Leased properties” in this prospectus.

CAPITAL MANAGEMENT

Our Group manages its capital to ensure that our Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. Our Group’s overall strategy remains unchanged throughout the Track Record Period.

FINANCIAL INFORMATION

Our Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. Our Group monitors its capital structure on the basis of the debt to equity ratio. For this purpose, debt is defined as borrowings (include amounts due to a director and a related party) net of cash and bank balances. In order to maintain or adjust the ratio, our Group may adjust the amount of dividends paid to shareholders, share buyback, issue new shares and raise new debts.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, except for operating lease commitment disclosed above, our Group had no material off-balance sheet guarantees, commitment or arrangements.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set out in Note 21 to the historical financial information of the Accountant's Report as set out in Appendix I to this prospectus, our Directors confirm that these transactions were determined after negotiations between the related parties, or with reference to the prevailing market conditions.

In particular, during the Track Record Period, we entered into tenancy agreements (the “**Tenancy Agreements**”) as a tenant with several connected persons of our Company in respect of certain properties. For further details, please refer to the section headed “Connected transactions” in this prospectus. Assuming the monthly rental of these related party transactions had been fixed at the market rent as assessed by Greater China Appraisal Limited, a property consultant, an additional rental cost of HK\$0.9 million (“**Additional Rental Cost**”) would have been incurred in relation to the leasing of such properties during the Track Record Period. Based on our adjusted cash flow during the Track Record Period after taking into account the Additional Rental Cost, our Group is eligible to fulfil the minimum cash flow requirements for Listing under Rule 11.12A(1) of the GEM Listing Rules. Further, upon Listing, the Tenancy Agreements will be terminated and superseded by new tenancy agreements pursuant to which the monthly rentals will be determined with reference to the prevailing market rentals for similar premises, as assessed by Greater China Appraisal Limited. In view of the aforesaid, our Directors consider that the aforesaid related party transactions have not distorted the operating results of our Group in any material respect.

DIVIDEND

No dividends have been paid or declared by our Company since its date of incorporation. Prior to the Reorganisation, Mannings, a subsidiary of our Group, has declared and appropriated dividends to its then shareholder of HK\$13.0 million and HK\$13.4 million in 2016 and 2017 respectively.

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After completion of the Listing, our Shareholders will be entitled to receive dividends declared by us. The proposal of payment and the amount of our dividends for the future years will be subject to the Cayman Islands law and our Articles and made at the discretion of our Board and will depend on our general business condition and strategies, cash flows, financial results and capital requirements, the interests of our Shareholders, taxation conditions, statutory and regulatory restrictions and other factors that our Board deems relevant. Any declaration of final dividend by our Company shall also be subject to the approval of our Shareholders in a shareholders' meeting. We cannot assure you that we will declare or pay such or any amount of dividends.

FINANCIAL INSTRUMENT

Our Group have not entered into any financial instruments for hedging purposes during the Track Record Period and as at the Latest Practicable Date.

DISTRIBUTABLE RESERVES

As of 31 December 2017 and 31 March 2018, our Company did not have any distributable reserves available for distribution to our Shareholders.

QUANTITATIVE AND QUALITATIVE INFORMATION OF MARKET RISKS

Our activities exposed us to a variety of financial risks, including interest rate risk, credit risk and liquidity risk. Our overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effect on our financial performance. For further details, please refer to Note 22 to the Accountants' Report as set out in Appendix I to this prospectus.

LISTING EXPENSES

Our Group expects that the total Listing expenses (inclusive of the underwriting commission and other related expenses), which is non-recurring in nature, will amount to HK\$25.0 million (base on the mid-point of the indicative range of the Offer Price). HK\$7.4 million is directly attributable to the issue of the Offer Shares and is expected to be accounted for as a deduction from equity upon Listing. The remaining amount of HK\$17.6 million shall be charged to profit or loss of our Group for FY2018, in which HK\$3.7 million has been charged to profit or loss for the three months ended 31 March 2018.

MATERIAL ADVERSE CHANGE

Save as disclosed in the paragraph headed "Listing Expenses" in this section of this prospectus, our Directors confirm that, up to the date of the prospectus, there has been no material adverse change in our financial or trading position since 31 March 2018 and there has been no event since 31 March 2018 which would materially affect the information shown in the Accountant's Report as set out in Appendix I to this prospectus.

FINANCIAL INFORMATION

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

As at the Latest Practicable Date, our Directors confirm that they were not aware of any circumstances that would give rise to a disclosure requirement under Rule 17.15 to 17.21 of the GEM Listing Rules.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

Please refer to “Unaudited Pro Forma Financial Information” in Appendix II to this prospectus for details.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

Our Group will endeavour to expand our business operations by adopting our business strategies through the following implementation plans. For details of our business strategies, please refer to the section headed “Business – Business strategies” in this prospectus. Investors should note that the implementation plans and their scheduled times for attainment are formulated on the bases and assumptions referred to in the paragraph headed “Bases and assumptions” in this section. These bases and assumptions are subject to uncertainties, variables and unpredictable factors, in particular the risk factors set out in the section headed “Risk factors” in this prospectus. Our Group’s actual course of business may vary from the business objectives set out in this prospectus. There can be no assurance that the plans of our Group will be materialised in accordance with the expected time frame or that the business objectives of our Group will be accomplished at all.

REASONS FOR THE LISTING

Our business objective is to further strengthen our position as an established engineering consultant in Hong Kong. Our Directors believe that the Listing is beneficial to our Company and our Shareholders as a whole because of the following reasons:

- the net proceeds from the Share Offer will provide financial resources to our Group for our business plans as set out in the section headed “Business – Business strategies” of this prospectus, which will further strengthen our market position and expand our market share in the engineering consultancy service industry in Hong Kong;
- a public listing status will enhance our corporate profile and recognition and enable our Group to be considered more favourably by our clients when tendering for contracts, given that a listed company is subject to ongoing regulatory compliance for announcements, financial disclosures and corporate governance;
- a public listing status will also facilitate us in retaining and attracting talents to join our Group. Access to a larger pool of talents will improve our service quality and facilitate our recruitment of additional manpower under our expansion plans. In addition, the status of being a listed company will facilitate our in-house talent management, through staff retention and development, whereby our existing staff may be motivated to further develop their career with us in view of the perceived status associated with working for a listed company in Hong Kong;
- the Share Offer will provide a fund-raising platform for our Company, thereby enabling us to raise the capital required to finance our future growth and expansion without reliance on our Controlling Shareholders. Such platform would allow us to gain direct access to the capital market for equity and/or debt financing, both at the time of the Listing as well as at later stage, to fund our existing operations and future expansion, which could be instrumental to our expansion and improving our operating and financial performance to enhance Shareholder’s return; and

FUTURE PLANS AND USE OF PROCEEDS

- upon the Listing, our Shares will be freely traded on the Stock Exchange. A public listing status on GEM will offer us a broader shareholder base which could lead to a more liquid market in the trading of our Shares. We also believe that our internal control and corporate governance practices could be further enhanced following the Listing.

Benefits of equity financing over debt financing

Our Group is currently applying for a new banking facility of HK\$20.0 million. As at the Latest Practicable Date, our application for the aforesaid banking facility is still under the process of review by the relevant bank. There is no guarantee that we would successfully obtain such financing based on terms acceptable to us, or at all. Even if we have been granted with such banking facility, we presently intend to use such banking facility only as a back-up source of funding in support of our daily operation. In considering the choice of funding for our expansion, our Directors decided to proceed with equity financing in the form of Listing for the purpose of our business expansion instead of debt financing based on the following factors:

- if we raise additional funds by debt financing, we may be subject to various covenants under the relevant debt instruments which may restrict our ability to pay dividends or obtain additional financing. Further, the repayment terms of such loans, including but not limited to the covenants and interest rates, may not be commercially acceptable to us. Uncertain interest rate movement in the future may also expose our Group to increasing borrowing costs which may adversely affect our financial performance and liquidity. Our Directors have also observed that there is a recent upward trend in the borrowing cost in Hong Kong. In particular, 1-month HIBOR (Hong Kong Interbank Offered Rates) had increased from approximately 0.75% in December 2016 to approximately 1.20% in December 2017; and
- debt financing would significantly raise the indebtedness level and gearing ratio of our Group, which may adversely affect our financial credibility and financial condition and limit our future ability to obtain further financing from financial institutions to support our daily operations.

Having considered the above factors, our Directors decided that it is more preferential for our Group to use equity financing for funding our expansion plans.

FUTURE PLANS AND USE OF PROCEEDS

USE OF PROCEEDS

We estimate that the net proceeds from the Share Offer assuming the Offer Size Adjustment Option is not exercised based on the Offer Price of HK\$0.35 per Offer Share, being the mid-point of the indicative Offer Price range of HK\$0.30 to HK\$0.40 per Offer Share, after deducting the related expenses, are estimated to be approximately HK\$45.0 million. We intend to apply such net proceeds in the following manner:

	From the Latest Practicable Date to 31 December 2018 <i>HK\$'million</i>	For the six months ending 30 June 2019 <i>HK\$'million</i>	For the six months ending 31 December 2019 <i>HK\$'million</i>	For the six months ending 30 June 2020 <i>HK\$'million</i>	For the six months ending 31 December 2020 <i>HK\$'million</i>	Total <i>HK\$'million</i>	Approximate % of net proceeds
Setting up a new team specialising in the field of building development	0.7	2.7	5.8	8.2	8.9	26.3	58.4
Strengthening our in-house team of professional staff to increase our service capacity	0.3	0.6	1.3	1.7	1.7	5.6	12.4
Leasing additional office space to accommodate our expansion	0.2	0.4	0.6	0.7	0.7	2.6	5.8
Upgrading our information technology system to enhance our engineering design capability	0.4	–	0.8	0.5	0.7	2.4	5.3
Acquisition of additional motor vehicles to accommodate our transportation needs	–	1.4	0.7	–	–	2.1	4.7
Increasing our marketing effort	0.2	0.6	0.4	0.4	0.4	2.0	4.5
General working capital	0.8	0.8	0.8	0.8	0.8	4.0	8.9
Total	2.6	6.5	10.4	12.3	13.2	45.0	100.0

In relation to setting up a new team specialising in the field of building development, we intend to apply approximately HK\$26.3 million, representing approximately 58.4% of the estimated net proceeds from the Share Offer, for recruiting two Registered Structural Engineers, one Registered Geotechnical Engineer, two Authorised Persons, two architects, three draftsmen, four electrical and mechanical engineers, two environmental specialists, four building engineers and two administrative staff.

FUTURE PLANS AND USE OF PROCEEDS

With respect to our plan in strengthening our in-house team of professional staff to increase our service capacity, we intend to apply approximately HK\$5.6 million, representing approximately 12.4% of the estimated net proceeds from the Share Offer, for the staff salaries and training costs incurred from employing one project manager, four project engineers, one draftsman, one administrative staff and one marketing staff.

With regard to leasing additional office space, we intend to apply approximately HK\$2.6 million, representing approximately 5.8% of the estimated net proceeds from the Share Offer, for renting office premises with a total gross floor area of approximately 3,400 sq. ft. to accommodate our planned expansion.

Concerning upgrading our information technology system to enhance our engineering design capability, we intend to apply approximately HK\$2.4 million, representing approximately 5.3% of the estimated net proceeds from the Share Offer, for acquiring more advanced computer system and software upgrade.

In relation to the acquisition of additional motor vehicles to accommodate our transportation needs, we intend to apply approximately HK\$2.1 million, representing approximately 4.7% of the estimated net proceeds from the Share Offer, for the acquisition of three additional motor vehicles.

In respect of our plan to increase our marketing effort, we intend to apply approximately HK\$2.0 million, representing approximately 4.5% of the estimated net proceeds from the Share Offer, to (i) place advertisements in industry publications; (ii) sponsor industry-related seminars and charity functions; and (iii) send promotional booklets and other promotional materials for advertising our services.

If the final Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds of the Share Offer will increase or decrease by approximately HK\$10.0 million, respectively. In such event, the net proceeds will be used in the same proportions as disclosed above irrespective of whether the Offer Price is determined at the highest or lowest of the indicative Offer Price range. Our Directors consider that the net proceeds from the Share Offer will be sufficient to finance our Group's business plans up to the year ending 31 December 2020.

In the event that the Offer Price is determined at the high-end of the Offer Price (i.e. HK\$0.40) and the Offer Size Adjustment Option is exercised in full, we intend to apply the additional net proceeds from the Share Offer to the above uses in the proportions stated in the preceding paragraph above.

To the extent that the net proceeds from the issue of the Share Offer are not immediately required for the purposes above, it is the present intention of our Directors that such net proceeds will be placed on short-term interest bearing deposits with authorised financial institutions in Hong Kong. Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, our Group will issue an announcement in accordance with the GEM Listing Rules. In

FUTURE PLANS AND USE OF PROCEEDS

the event that the net proceeds from the Share Offer are insufficient to finance the expenditure as mentioned above, the shortfall will be financed by the internal resources of our Group and/or external borrowings.

IMPLEMENTATION PLAN

We will endeavour to achieve the following milestone events for each of the six-month period from the Latest Practicable Date up to 31 December 2020, and their respective scheduled completion times are based on certain bases and assumptions as set out in the paragraph headed “Bases and assumptions” in this section.

From the Latest Practicable Date to 31 December 2018

Business strategies	Implementation plans	Use of proceeds <i>HK\$' million</i>
Setting up a new team specialising in the field of building development	● Recruit one Registered Structural Engineer to review structural plans of buildings, performing structural inspection and handling statutory submission to Government authority; ● Recruit three building engineers to prepare designs of building structures; and ● Recruit an administrative staff to handle the administrative affairs in relation to the establishment and operation of the new team.	0.7
Strengthening our in-house team of professional staff to increase our service capacity	● Recruit a project engineer for assisting the project manager in the implementation of projects and managing daily communication with clients; ● Recruit a draftsman for preparing technical drawings and schedule; and ● Recruit a marketing staff for the coordination of our marketing activities and promotion of our services.	0.3

FUTURE PLANS AND USE OF PROCEEDS

Business strategies	Implementation plans	Use of proceeds <i>HK\$' million</i>
Leasing additional office space to accommodate our expansion	Identify and lease office premises with gross floor area of approximately 1,700 sq. ft. for accommodating our expansion.	0.2
Upgrading our information technology system to enhance our engineering design capability	- Purchase new computers equipped with appropriate software and tools for our additional staff; and - Upgrade computers and software for existing staff.	0.4
Increasing our marketing effort	Strengthen our marketing activities.	0.2

For the six months ending 30 June 2019

Business strategies	Implementation plans	Use of proceeds <i>HK\$' million</i>
Setting up a new team specialising in the field of building development	- Salary payments for one Registered Structural Engineer, three building engineers and one administrative staff; - Recruit two electrical and mechanical engineers to conduct electrical and mechanical engineering designs; and - Recruit two draftsmen to prepare technical drawings and schedule based on the design prepared by our engineering staff.	2.7
Strengthening our in-house team of professional staff to increase our service capacity	- Salary payments for the project engineer, draftsman, and marketing staff; and - Recruit an administrative staff for handling administrative matters.	0.6
Leasing additional office space to accommodate our expansion	- Rental expenses for the new office premises with gross floor area of approximately 1,700 sq. ft.; and - Identify and lease additional office premises with gross floor area of approximately 550 sq.ft.	0.4

FUTURE PLANS AND USE OF PROCEEDS

Business strategies	Implementation plans	Use of proceeds <i>HK\$' million</i>
Acquisition of additional motor vehicles to accommodate our transportation needs	Acquisition of two additional motor vehicles.	1.4
Increasing our marketing effort	Strengthen our marketing activities.	0.6

For the six months ending 31 December 2019

Business strategies	Implementation plans	Use of proceeds <i>HK\$' million</i>
Setting up a new team specialising in the field of building development	- Salary payments for one Registered Structural Engineer, three building engineers, two electrical and mechanical engineers, two draftsmen and one administrative staff; - Recruit an additional Registered Structural Engineer to review structural plans of buildings; - Recruit a Registered Geotechnical Engineer to review geotechnical designs, perform geotechnical inspection and handle statutory submission to Government authority; - Recruit an additional electrical and mechanical engineer to conduct electrical and mechanical engineering designs; - Recruit an additional draftsman to prepare technical drawings and schedule based on the design prepared by our engineering staff; - Recruit two architects to conduct architectural design;	5.8

FUTURE PLANS AND USE OF PROCEEDS

Business strategies	Implementation plans	Use of proceeds <i>HK\$' million</i>
	● Recruit two environmental specialists to conduct environmental impact assessment and studies; and ● Recruit an additional administrative staff to handle the administrative affairs in relation to the establishment and operation of the new team.	
Strengthening our in-house team of professional staff to increase our service capacity	● Recruit a project manager for overseeing the execution of our projects; ● Recruit three additional project engineers for assisting the project manager in the implementation of projects and managing daily communication with clients; and ● Salary payments for the project engineer, draftsman, administrative staff and marketing staff.	1.3
Leasing additional office space to accommodate our expansion	● Rental expenses for the new office premises with gross floor area of approximately 2,250 sq.ft.; and ● Identify and lease additional office premises with gross floor area of approximately 1,150 sq.ft.	0.6
Upgrading our information technology system to enhance our engineering design capability	● Purchase new computers equipped with appropriate software and tools for additional staff; and ● Upgrade computers and software for existing staff.	0.8
Acquisition of additional motor vehicles to accommodate our transportation needs	● Acquisition of one additional motor vehicle.	0.7
Increasing our marketing effort	● Strengthen our marketing activities.	0.4

FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 30 June 2020

Business strategies	Implementation plans	Use of proceeds <i>HK\$' million</i>
Setting up a new team specialising in the field of building development	● Salary payments for two Registered Structural Engineers, one Registered Geotechnical Engineer, three building engineers, three electrical and mechanical engineers, three draftsmen, two architects, two environmental specialists and two administrative staff; ● Recruit an additional building engineer to prepare designs of building structures; ● Recruit an additional electrical and mechanical engineer to conduct electrical and mechanical engineering designs; and ● Recruit an Authorised Person to conduct architectural certification and handling statutory submission to Government authority.	8.2
Strengthening our in-house team of professional staff to increase our service capacity	● Salary payments for one project manager, four project engineers, one draftsman, one administrative staff and one marketing staff.	1.7
Leasing additional office space to accommodate our expansion	● Rental expenses for the new office premises with gross floor area of approximately 3,400 sq.ft..	0.7
Upgrading our information technology system to enhance our engineering design capability	● Acquire and install a new enterprise resource planning system.	0.5
Increasing our marketing effort	● Strengthen our marketing activities.	0.4

FUTURE PLANS AND USE OF PROCEEDS

For the six months ending 31 December 2020

Business strategies	Implementation plans	Use of proceeds <i>HK\$' million</i>
Setting up a new team specialising in the field of building development	● Salary payments for two Registered Structural Engineers, one Registered Geotechnical Engineer, one Authorised Person, four building engineers, four electrical and mechanical engineers, three draftsmen, two architects, two environmental specialists and two administrative staff; and ● Recruit an additional Authorised Person to conduct architectural certification and handling statutory submission to Government authority.	8.9
Strengthening our in-house team of professional staff to increase our service capacity	● Salary payments for one project manager, four project engineers, one draftsman, one administrative staff and one marketing staff.	1.7
Leasing additional office space to accommodate our expansion	● Rental expenses for the new office premises with gross floor area of approximately 3,400 sq.ft..	0.7
Upgrading our information technology system to enhance our engineering design capability	● Fine-tuning of the new enterprise resource planning system; and ● Upgrade computers and software for existing staff.	0.7
Increasing our marketing effort	● Strengthen our marketing activities.	0.4

BASES AND ASSUMPTIONS

The implementation plan set out by our Directors is based on the following bases and assumptions:

- our Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which our future plans relate;
- there will be no material changes in the funding requirement for each of our Group's future plans described in this prospectus from the amount as estimated by our Directors;

FUTURE PLANS AND USE OF PROCEEDS

- there will be no material changes in existing laws and regulations, or other governmental policies relating to our Group, or in the political, economic or market conditions in which our Group operates;
- there will be no changes in the effectiveness of the licences, permits and qualifications obtained by our Group, where applicable;
- there will be no material changes in the bases or rates of taxation applicable to the activities of our Group;
- there will be no disasters, natural, political or otherwise, which would materially disrupt the businesses or operations of our Group; and
- our Group will not be materially affected by the risk factors as set out in the section headed “Risk factors” in this prospectus.

UNDERWRITING

PUBLIC OFFER UNDERWRITERS

Kingsway Financial Services Group Limited
China Investment Securities International Brokerage Limited
Head & Shoulders Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Public Offer Underwriting Agreement

Pursuant to the Public Offer Underwriting Agreement, our Company is offering the Public Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and to the satisfaction of certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Joint Bookrunners shall have the absolute discretion to terminate the arrangements set out in the Public Offer Underwriting Agreement by notice in writing given to our Company at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, if there shall develop, occur, exist or come into effect:

- (i) any new law or regulation or any material change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the Cayman Islands, the BVI or any relevant jurisdiction;
- (ii) any adverse change (whether or not permanent) in local, national or international stock market conditions;
- (iii) the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances or otherwise;
- (iv) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the Cayman Islands, the BVI or any relevant jurisdiction;

UNDERWRITING

- (v) any adverse change in the business or in the financial or trading position of our Group or otherwise;
- (vi) any change or development (whether or not permanent), or any event or series of events resulting in any change in the financial, legal, political, economic, military, industrial, fiscal, regulatory, market (including stock market) or currency matters or condition in Hong Kong, the Cayman Islands, the BVI, or any relevant jurisdiction;
- (vii) a general moratorium on commercial banking business activities in Hong Kong, the Cayman Islands, the BVI or any relevant jurisdiction declared by the relevant authorities; or
- (viii) any event of force majeure including but without limiting the generality thereof, any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out, natural disaster or outbreak of infectious diseases, which in the reasonable opinion of the Joint Bookrunners:
 - (a) might be materially adverse to the business, financial condition or prospects of our Group taken as a whole; or
 - (b) might have a material adverse effect on the success of the Share Offer or might have the effect of making any part of the Public Offer Underwriting Agreement incapable of implementation or performance in accordance with its terms; or
 - (c) makes it inadvisable or inexpedient to proceed with the Share Offer.

Without prejudice to the above, if, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date, it comes to the notice of the Joint Bookrunners:

- (i) any matter or event showing any of the warranties to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been any breach of any of the warranties or any other provision of the Public Offer Underwriting Agreement which is considered, in the reasonable opinion of the Sponsor and the Joint Bookrunners, to be material in the context of the Public Offer;
- (ii) any matter which, had it arisen immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted a material omission in the reasonable opinion of the Sponsor and the Joint Bookrunners in the context of the Public Offer; or
- (iii) any statement contained in this prospectus and the Application Forms reasonably considered to be material by the Sponsor and the Joint Bookrunners which is discovered to be or becomes untrue, incorrect or misleading and in the reasonable opinion of the Sponsor and the Joint Bookrunners to be material in the context of the Public Offer; or

UNDERWRITING

- (iv) any event, act or omission which gives rise or is likely to give rise to any material liability of any of our Company, the executive Directors and our Controlling Shareholders pursuant to the indemnities contained in the Public Offer Underwriting Agreement, the Joint Bookrunners shall be entitled (but not bound) by notice in writing to our Company on or prior to such time to terminate the Public Offer Underwriting Agreement.

Our Company shall inform the Stock Exchange in writing as soon as it has been informed of any of the matters referred to above (if any) by our Controlling Shareholders and disclose such matters by way of an announcement to be published in accordance with the GEM Listing Rules as soon as possible.

Undertakings given to the Stock Exchange pursuant to the GEM Listing Rules

Undertaking by our Company

Pursuant to Rule 17.29 of the GEM Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules.

Undertaking by our Controlling Shareholders

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and to our Company that except pursuant to the Share Offer and the Offer Size Adjustment Option, he/it will not and will procure that the relevant registered holder(s) will not: (a) in the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the date on which dealings in the Shares commence on the Stock Exchange, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which he/it is shown by this prospectus to be the beneficial owner; and (b) in the period of 12 months commencing on the date on which the period referred to in the paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in the paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder of our Company. Pursuant to Rule 13.19 of the GEM Listing Rules, each of our Controlling Shareholder has undertaken to the Stock Exchange and to our Company that, within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 24 months from the date on which dealings in the Shares commence on the Stock Exchange, he/it will: (i) when he/it pledges or charges any Shares beneficially owned by him/it in favour of an authorised institution pursuant to Rule 13.19 of the GEM Listing Rules, immediately inform our Company of such

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pledge or charge together with the number of Shares so pledged or charged; and (ii) when it receives indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged Shares will be disposed of, immediately inform our Company of such indications.

Undertakings pursuant to the Public Offer Underwriting Agreement

Undertaking by our Company

Except pursuant to the Capitalisation Issue, the Share Option Scheme, the Offer Size Adjustment Option and the Share Offer, during the period commencing on the date of this prospectus and ending on, and including, the date that is six months after the Listing Date, our Company has undertaken to each of the Joint Bookrunners, the Public Offer Underwriters and the Sponsor not to, and to procure each other member of our Group not to, without the prior written consent of the Joint Bookrunners (such consent not to be unreasonably withheld or delayed) and the Sponsor and unless in compliance with the requirements of the GEM Listing Rules:

- (i) offer, allot, issue or sell, or agree to allot, issue or sell, hedge, grant or agree to grant any option, right or warrant over, or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by our Company or any of its affiliates), either directly or indirectly, conditionally or unconditionally, any Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or any securities convertible into or exchangeable for such Shares (or any interest in any Shares or any voting or other right attaching to any Shares); or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of subscription or ownership of Shares (or any interest in any Shares or any voting or other right attaching to any Shares) or such securities; or
- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or
- (iv) offer or agree to do any of the foregoing transactions and publicly disclose any intention to effect such transaction, 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 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).

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Undertaking by our Controlling Shareholders

Each of our Controlling Shareholders has jointly and severally undertaken to each of our Company, the Joint Bookrunners, the Public Offer Underwriters and the Sponsor that, save as (i) pursuant to the Share Offer; or (ii) permitted under the GEM Listing Rules, without the prior written consent of the Joint Bookrunners (such consent not to be unreasonably withheld or delayed) and the Sponsor:

- (1) he/it will not, at any time during the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the date on which dealings in the Shares commence on the Stock Exchange (the “**First Twelve-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, 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 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, 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 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 (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 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);
- (2) he/it will not, during the period of 12 months commencing on the date on which the First Twelve-Month Period expires (the “**Second Twelve-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, he/it will cease to be a “controlling shareholder” (as defined in the GEM Listing Rules) of our Company; and

UNDERWRITING

- (3) without prejudice to the undertakings as referred to in paragraphs (1) and (2) above, during the period commencing on the date by reference to which disclosure of his/its direct or indirect shareholding in our Company is made in this prospectus and ending on the date which is 24 months from the Listing Date, he/it shall:
- (i) when he/it pledges or charges or otherwise create any rights of encumbrances over any Shares or other securities of our Company beneficially owned by him/it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Rule 13.18(1) of the GEM Listing Rules, immediately inform our Company, the Sponsor and the Joint Bookrunners of such pledge or charge or creation of the rights of encumbrances together with the number of the securities so pledged or charged and all other information as may be reasonably requested by our Company, the Sponsor and/or the Joint Bookrunners; and
 - (ii) subsequent to the pledge or charge or creation of rights or encumbrances over the Shares (or interest therein) or other shares or interests as mentioned in subparagraph (i) above, when he/it receives any indications, either verbal or written, from the pledgee or chargee that any of the pledged or charged or encumbered securities as referred to in sub-paragraph (i) above will be disposed of, immediately inform our Company of such indications, and inform the Sponsor and the Joint Bookrunners as soon as practicable thereafter (taking into account the requirements of applicable laws, rules and regulations) of such indications.

Placing Underwriting Agreement

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriter(s), on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below. Under the Placing Underwriting Agreement, the Placing Underwriter(s) will severally agree to subscribe or procure subscribers for the Placing Shares being offered pursuant to the Placing.

Under the Placing Underwriting Agreement, we intend to grant to the Placing Underwriters the Offer Size Adjustment Option, exercisable in whole or in part at one or more times, at the absolute discretion of the Joint Bookrunners on behalf of the Placing Underwriters. Please refer to the paragraph headed “Structure and Conditions of the Share Offer – Offer Size Adjustment Option” in this prospectus for more information.

It is expected that, pursuant to the Placing Underwriting Agreement, our Company, our executive Directors and our Controlling Shareholders will give undertakings similar to those given pursuant to the Public Offer Underwriting Agreement, as described in the paragraph headed “Underwriting arrangements and expenses – Public Offer Underwriting Agreement – Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

UNDERWRITING

It is expected that each of our Controlling Shareholders will undertake to the Placing Underwriter(s) not to dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interest or encumbrances in respect of any of our Shares held by him/it in our Company for a period similar to that given by them pursuant to the Public Offer Underwriting Agreement as described in the paragraph “Underwriting arrangements and expenses – Public Offer Underwriting Agreement – Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

Commission and expenses

The Underwriters will receive a gross commission of 2.0% on the aggregate Offer Price of all the Offer Shares now being offered, out of which will, as the case may be, be applied to any sub-underwriting commissions and selling concession. The underwriting commission, documentation fee, Stock Exchange listing fees, brokerage, Stock Exchange trading fee, SFC transaction levy, legal and other professional fees together with applicable printing and other expense relating to the Share Offer are estimated to be approximately HK\$25.0 million assuming the Offer Size Adjustment Option is not exercised in aggregate (based on an Offer Price of HK\$0.35 per Offer Share), being the mid-point of the indicative Offer Price range of HK\$0.30 to HK\$0.40 per Offer Share) and is paid or payable by our Company.

Underwriters’ interests in our Company

Save for its interests and obligations under the Underwriting Agreements and save as disclosed in this prospectus, none of the Underwriters or any of its associates is interested beneficially or non-beneficially in any shares in any member of our Group nor has any right (whether legally enforceable or not) or option to subscribe for or to nominate persons to subscribe for any shares of any member of our Group.

Sponsor’s interest in our Company

Kingsway, being the Sponsor, has declared its independence pursuant to Rule 6A.07 of the GEM Listing Rules. Save for the advisory and documentation fees to be paid to Kingsway as the Sponsor to the Share Offer, its obligations under the Underwriting Agreements and any interests in securities that may be subscribed by it pursuant to the Share Offer, neither Kingsway nor any of its associates has or may, as a result of the Share Offer, have any interest in any class of securities of our Company or any other company in our Group (including options or rights to subscribe for such securities).

No director or employee of Kingsway who is involved in providing advice to our Company has or may, as a result of the Share Offer, have any interest in any class of securities of our Company or other company in our Group (including options or rights to subscribe for such securities but, for the avoidance of doubt, excluding interests in securities that may be subscribed for or purchased by any such director or employee pursuant to the Share Offer).

No director or employee of Kingsway has a directorship in our Company or any other company in our Group.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

STRUCTURE OF THE SHARE OFFER

The Share Offer comprises:

- (i) the Public Offer of an aggregate of 20,000,000 Public Offer Shares (subject to reallocation as mentioned below) in Hong Kong; and
- (ii) the Placing of 180,000,000 Placing Shares and the Offer Size Adjustment Option (subject to reallocation as mentioned below).

Investors may apply for the Offer Shares under the Public Offer or, if qualified to do so, apply for or indicate an interest for the Offer Shares under the Placing, but may not do both. The Offer Shares will represent approximately 25% of the enlarged issued share capital of our Company immediately after completion of the Share Offer and the Capitalisation Issue (but without taking into account the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme). The number of Offer Shares to be offered under the Public Offer and the Placing, respectively, may be subject to reallocation as mentioned below.

CONDITIONS OF THE SHARE OFFER

The Share Offer is conditional upon, among other things:

- (i) the Listing Division of the Stock Exchange granting the approval of the listing of, and permission to deal in, the Shares in issue and the Shares to be allotted and issued as mentioned in this prospectus, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (ii) the Offer Price having been duly determined; and
- (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional (including, if relevant, as a result of the waiver of any condition(s) by the Joint Bookrunners (for themselves and on behalf of the Underwriters)) and the Underwriting Agreements not being terminated in accordance with its terms, in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

If such conditions have not been fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Share Offer will be published by our Company on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.boltekhholdings.com on the next business day following such lapse.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PUBLIC OFFER

Number of Shares initially offered

We are initially offering 20,000,000 Public Offer Shares at the Offer Price, representing 10% of the Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to reallocation of Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Public Offer will represent approximately 2.5% of our Company's enlarged issued share capital immediately after completion of the Share Offer and the Capitalisation Issue, and without taking into account Shares which may be issued upon exercise of options as may be granted under the Share Option Scheme. The Public Offer is open to members of the public in Hong Kong as well as to institutional professional and other investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions as set out in the paragraph headed "Conditions of the Share Offer" in this section.

Allocation

Allocation of the Offer Shares to investors under the Share Offer will be based solely on the level of valid applications received under the Share Offer. The basis of allocation may vary, depending on the number of the Public Offer Shares validly applied for by applicants. Allocation of the 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 the Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

Multiple or suspected multiple applications under the Public Offer and any application for more than 20,000,000 Public Offer Shares initially available for subscription will be rejected. Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not received any Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be).

The final Offer Price, the level of indication of interest in the Placing, level of applications in the Public Offer and the basis of allocation of the Public Offer Shares are expected to be announced on Wednesday, 12 September 2018 through a variety of channels as described in paragraph headed "How to apply for Public Offer Shares – 10. Publication of results".

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Reallocation

The allocation of Offer Shares between the Public Offer and the Placing is subject to reallocation on the following basis:

- (a) Where the Placing Shares are fully subscribed or oversubscribed:
 - (i) if the Public Offer Shares are undersubscribed, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing, in such proportions as the Joint Bookrunners deem appropriate;
 - (ii) if the Public Offer Shares are not undersubscribed but the number of Offer Shares validly applied for under the Public Offer represents less than 15 times the number of the Offer Shares initially available for subscription under the Public Offer, then up to 20,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 40,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option);
 - (iii) if the number of Offer Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Public Offer, then 40,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 60,000,000 Offer Shares, representing 30% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option);
 - (iv) if the number of Offer Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Public Offer, then 60,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be increased to 80,000,000 Offer Shares, representing 40% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option); and
 - (v) if the number of Offer Shares validly applied for under the Public Offer represents 100 times or more the number of the Offer Shares initially available for subscription under the Public Offer, then 80,000,000 Shares will be reallocated to the Public Offer from the Placing, so that the number of the Offer Shares available under the Public Offer will be increased to 100,000,000 Offer Shares, representing 50% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option).

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (b) Where the Placing Shares are undersubscribed:
- (i) if the Public Offer Shares are undersubscribed, the Share Offer will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Share Offer on the terms and conditions of this prospectus, the Application Forms and the Underwriting Agreements; and
 - (ii) if the Public Offer Shares are fully subscribed or oversubscribed irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer, then up to 20,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 40,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer (before any exercise of the Offer Size Adjustment Option).

In the event of reallocation of Offer Shares between the Public Offer and the Placing in the circumstances where (a) the Placing Shares are fully subscribed or oversubscribed and the Public Offer Shares are fully subscribed or oversubscribed by less than 15 times under paragraph (a)(ii) above; or (b) the Placing Shares are undersubscribed and the Public Offer Shares are fully subscribed or oversubscribed under paragraph (b)(ii) above, the final Offer Price shall be fixed at the low-end of the indicative Offer Price range (i.e. HK\$0.30 per Offer Share) stated in this prospectus.

In addition, the Joint Bookrunners may reallocate Offer Shares from the Placing to the Public Offer to satisfy valid applications under the Public Offer. In accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, if such reallocation is done other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be reallocated to the Public Offer following such reallocation shall be not more than double the initial allocation to the Public Offer (i.e. 40,000,000 Offer Shares).

In all cases, the number of Offer Shares allocated to the Placing will be correspondingly reduced. In addition, the Joint Bookrunners may in their sole and absolute discretion reallocate Offer Shares of the Placing to the Public Offer to satisfy valid applications under the Public Offer. The Offer Shares to be offered in the Public Offer and the Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

THE PLACING

Number of the Offer Shares initially offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the Placing will be 180,000,000 Shares, representing 90% of the total number of the Offer Shares initially available under the Share Offer. Subject to the reallocation of the Offer Shares between the Placing and the Public Offer, the number of Shares initially offered under the Placing will represent approximately 22.5% of our Company's enlarged issue share capital immediately after the completion of the Share Offer and the Capitalisation Issue, but without taking into account Shares which may be issued upon exercise of the Offer Size Adjustment Option and options granted under the Share Option Scheme.

Allocation

Pursuant to the Placing, the Placing Shares will be conditionally placed by the Placing Underwriter(s). The Placing Shares will be selectively placed to certain professional and institutional and other investors anticipated to have a sizeable demand for such Placing Shares in Hong Kong. The Placing is subject to the Public Offer being unconditional.

Allocation of Offer Shares pursuant to the Placing will be effected in accordance with the bookbuilding process described in the paragraph headed "Offer Price" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Bookrunners may require any investor who has been offered Placing Shares under the Placing, and who has made an application under the Public Offer, to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Public Offer and to ensure that they are excluded from any application of Offer Shares under the Public Offer.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

OFFER PRICE

Determination of the Offer Price

The Offer Price will be fixed by the Price Determination Agreement on the Price Determination Date, which is expected to be on or around Tuesday, 4 September 2018. If the Joint Bookrunners (for themselves and on behalf of the other Underwriters) and our Company are unable to reach an agreement on the Offer Price on or before Wednesday, 5 September 2018, the Share Offer will not become unconditional and will not proceed. The Joint Bookrunners (for themselves and on behalf of the other Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range to below that stated in this prospectus at any time prior to the Price Determination Date. In such a case, our Company will, as soon as practicable following the decision to make such reduction, cause to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.boltekholdings.com an announcement of such change on or before the Price Determination Date. Prospective investors of the Offer Shares should be aware that the Offer Price to be determined on the Price Determination Date may be, but is currently not expected to be, lower than the indicative Offer Price range stated in this prospectus.

If for any reason the Price Determination Date is changed, our Company will as soon as practicable cause to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.boltekholdings.com a notice of the change and if applicable the revised date.

Offer Price range

The Offer Price will not be more than HK\$0.40 per Offer Share and is expected to be not less than HK\$0.30 per Offer Share. The Offer Price will fall within the indicative Offer Price range as stated in this prospectus unless otherwise announced.

Price payable on application

The Offer Price will not be more than HK\$0.40 per Offer Share and is expected to be not less than HK\$0.30 per Offer Share. Applicants under the Public Offer should pay, on application, the maximum Offer Price of HK\$0.40 per Offer Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy, amounting to a total of HK\$4,040.31 per board lot of 10,000 Offer Shares. If the Offer Price, as finally determined in the manner described above, is lower than the maximum Offer Price of HK\$0.40 per Offer Share, appropriate refund payments (including the related brokerage, the Stock Exchange trading fee and the SFC transaction levy attributable to the excess application monies) will be made to applicants, without interest.

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

ANNOUNCEMENT OF OFFER PRICE AND BASIS OF ALLOCATION

Announcement of the final Offer Price, together with the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares is expected to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.boltekholdings.com on Wednesday, 12 September 2018.

OFFER SIZE ADJUSTMENT OPTION

In connection with the Share Offer, we are expected to grant the Offer Size Adjustment Option to the Placing Underwriters under the Placing Underwriting Agreement. The Offer Size Adjustment Option would be exercisable by the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) on or before Wednesday, 12 September 2018 at their sole and absolute discretion, to require our Company to allot and issue up to 30,000,000 additional new Shares, representing 15.0% of the Shares initially available for subscription under the Share Offer, on the same terms as those applicable to the Placing. Any such additional Shares may be issued to cover any excess demand in the Placing at the sole and absolute discretion of the Joint Bookrunners.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Placing Underwriters to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activities of the Shares in the secondary market after the Listing and will not be subject to the Securities and Futures (Price Stabilising) Rules of the SFO. No purchase of the Shares in the secondary market will be affected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

Our Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by then, the Offer Size Adjustment Option will lapse and cannot be exercised on any future date.

If the Offer Size Adjustment Option is exercised in full, the additional 30,000,000 Shares will represent approximately 3.61% of the Company's enlarged share capital respectively immediately after completion of the Placing and the exercise of the Offer Size Adjustment Option. The additional net proceeds received from the placing of the additional Shares allotted and issued upon exercise of the Offer Size Adjustment Option will be allocated in accordance with the allocations as disclosed in the section headed "Future plans and use of proceeds".

Subject to the terms and conditions of the Placing Underwriting Agreement, the Placing Shares are expected to be fully underwritten by the Placing Underwriters.

The Underwriters or agents nominated by them on behalf of our Company will conditionally place the Placing Shares at the Offer Price plus a 1% brokerage, a 0.005% Stock Exchange trading fee and a 0.0027% SFC transaction levy with professional, institutional and private investors anticipated to have a sizeable demand for the Placing

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Shares. Conditionally upon complying with the relevant rules and regulations, the Placing Shares can be placed with private investors in Hong Kong. Professional and/or institutional investors generally include dealers, brokers, 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.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence on Thursday, 13 September 2018. The Shares will be traded in board lots of 10,000 Shares each. The GEM stock code for the Shares is 8601.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus. If the Stock Exchange grants the listing of and permission to deal in the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or, under contingent situation, any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

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

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbrokers or other professional advisers for details of those settlement arrangements and how such arrangements will affect their rights and interest.

Details of the Share Offer will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for Offer Shares will be conditional on, among other things:

- (i) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including the additional Shares which may be allotted and issued pursuant to the Capitalisation Issue and Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme) and such listing and permission not subsequently being revoked prior to the commencement of dealings in the Shares on the Stock Exchange;

STRUCTURE AND CONDITIONS OF THE SHARE OFFER

- (ii) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements; and
- (iii) the Offer Price having been determined and the execution of the Price Determination Agreement on or before the Price Determination Date,

in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and, in any event, not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public Offer will be published by the Company on the websites of the Company and the Stock Exchange at www.boltekholdings.com and www.hkexnews.hk respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in “How to apply for Public Offer Shares – 12. Refund of application monies”. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

HOW TO APPLY FOR PUBLIC OFFER SHARES

1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares.

To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Bookrunners, and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Joint Bookrunners may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four for the Public Offer Shares.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Unless permitted by the GEM Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of Shares and/or any of our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- an associate (as defined in the GEM Listing Rules) of any of the above;
- a connected person of our Company or will become a connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participate in the Placing.

3. APPLYING FOR PUBLIC OFFER SHARES

Which Application Channel to Use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form.

For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 29 August 2018 to 12:00 noon on Monday, 3 September 2018 from:

- (i) the following office of the Joint Bookrunners:

Kingsway Financial Services Group Limited

7/F, Tower 1
Lippo Centre
89 Queensway
Hong Kong

China Investment Securities International Brokerage Limited

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

HOW TO APPLY FOR PUBLIC OFFER SHARES

Head & Shoulders Securities Limited

Room 2511, 25/F, Cosco Tower
183 Queen's Road Central
Hong Kong

- (ii) the following office of the Sponsor:

Kingsway Capital Limited

7/F, Tower 1
Lippo Centre
89 Queensway,
Hong Kong

- (iii) any of the following branches of Industrial and Commercial Bank of China (Asia) Limited:

District	Branch	Address
Hong Kong Island	Admiralty Branch	Shop 1013-1014, 1/F, United Centre, 95 Queensway, Admiralty, Hong Kong
Kowloon	Jordan Branch	1/F, JD Mall, No. 233 Nathan Road, Jordan, Kowloon
	Kwun Tong Branch	Shop 5&6, 1/F, Crocodile Center, 79 Hoi Yuen Road, Kwun Tong, Kowloon
New Territories	Kwai Fong Branch	C63A-C66, 2/F, Kwai Chung Plaza, Kwai Fong, New Territories
	Yan Ching Street Branch	Shops 4 and 5, G/F, Tuen Mun Centre, 11 Yan Ching Street, Tuen Mun, New Territories.
	Tai Wo Branch	Shop 216, 2/F, Tai Wo Plaza, Tai Wo Estate, Tai Po, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 29 August 2018 until 12:00 noon on Monday, 3 September 2018 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "ICBC (Asia) Nominee Limited – Boltek 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:

Wednesday, 29 August 2018 – 9:00 a.m. to 5:00 p.m.
Thursday, 30 August 2018 – 9:00 a.m. to 5:00 p.m.
Friday, 31 August 2018 – 9:00 a.m. to 5:00 p.m.
Saturday, 1 September 2018 – 9:00 a.m. to 1:00 p.m.
Monday, 3 September 2018 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 3 September 2018, the last application day or such later time as described in the paragraph headed "9. Effect of bad weather on the opening of the applications lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person of whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Bookrunners (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public 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 Law, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Memorandum and Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sponsor, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;
- (viii) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sponsor, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sponsor, the Joint Bookrunners and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any refund cheque(s) to you or the first-named applicant

HOW TO APPLY FOR PUBLIC OFFER SHARES

for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the share certificate(s) and/or refund cheque(s) in person;

- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HOW TO APPLY FOR PUBLIC OFFER SHARES

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
1/F, One & Two Exchange Square,
8 Connaught Place,
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Bookrunners and our Hong Kong Branch Share Registrar.

Giving electronic application instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Public Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Placing Shares under the Placing;
 - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
- confirm that you understand that our Company, our Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sponsor, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Joint Bookrunners, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public 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

HOW TO APPLY FOR PUBLIC OFFER SHARES

public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Law, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Ordinance and the Memorandum and Articles of Association of our Company; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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 10,000 Public Offer Shares. Instructions for more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions⁽¹⁾

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, 29 August 2018	– 9:00 a.m. to 8:30 p.m.
Thursday, 30 August 2018	– 8:00 a.m. to 8:30 p.m.
Friday, 31 August 2018	– 8:00 a.m. to 8:30 p.m.
Saturday, 1 September 2018	– 8:00 a.m. to 1:00 p.m.
Monday, 3 September 2018	– 8:00 a.m. to 12:00 noon

Note:

- (1) The times in the sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 29 August 2018 until 12:00 noon on Monday, 3 September 2018 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 3 September 2018, the last application day or such later time as described in the paragraph headed “9. Effect of bad weather on the opening of the application lists” in this section.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 (as applied by Section 342E) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bank, the Joint Bookrunners, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

6. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. 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 Sponsor, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant will be allotted any Public 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/CCAS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Monday, 3 September 2018.

HOW TO APPLY FOR PUBLIC OFFER SHARES

7. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

8. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for the Public Offer Shares under the terms set out in the Application Forms.

HOW TO APPLY FOR PUBLIC OFFER SHARES

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 10,000 Public Offer Shares. Each application or **electronic application instruction** in respect of more than 10,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and conditions of the Share Offer – Offer Price” of this prospectus.

9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 3 September 2018.

Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 3 September 2018 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” of this prospectus, an announcement will be made in such event.

10. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Wednesday, 12 September 2018 on our Company’s website at www.boltekholdings.com and the website of the Stock Exchange at www.hkexnews.hk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company's website at www.boltekholdings.com and the Stock Exchange's website at www.hkexnews.hk by no later than 9:00 a.m. on Wednesday, 12 September 2018;
- from the designated results of allocations website at www.ewhiteform.com.hk/results with a "search by ID" function on a 24-hour basis from 9:00 a.m. on Wednesday, 12 September 2018 to 12:00 midnight on Tuesday, 18 September 2018;
- by telephone enquiry line by calling +852 2153 1688 between 9:00 a.m. and 6:00 p.m. from Wednesday, 12 September 2018 to Tuesday, 18 September 2018 on a Business Day (excluding Saturday, Sunday and public holiday in Hong Kong);
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 12 September 2018 to Friday, 14 September 2018 at the designated receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed "Structure and conditions of the Share Offer".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

11. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED PUBLIC OFFER SHARES

You should note the following situations in which the Public Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

HOW TO APPLY FOR PUBLIC OFFER SHARES

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 (as applied by Section 342E) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If our Company or our agents exercise their discretion to reject your application:

Our Company, the Joint Bookrunners, and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Public Offer Shares is void:

The allotment of Public Offer Shares will be void if the Listing Division of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Division of the Stock Exchange notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;

HOW TO APPLY FOR PUBLIC OFFER SHARES

- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Bookrunners believe that by accepting your application, it would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 20,000,000 Public Offer Shares initially offered under the Public Offer.

12. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum Offer Price of HK\$0.4 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Public Offer are not fulfilled in accordance with "Structure and conditions of the Share Offer – Conditions of the Share Offer" of 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 Wednesday, 12 September 2018.

13. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum

HOW TO APPLY FOR PUBLIC OFFER SHARES

Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Wednesday, 12 September 2018. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 13 September 2018 provided that the Share Offer has become unconditional and the right of termination described in the section headed "Underwriting" of this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar at 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 12 September 2018 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, 12 September 2018, by ordinary post and at your own risk.

HOW TO APPLY FOR PUBLIC OFFER SHARES

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). 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 Wednesday, 12 September 2018, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 12 September 2018, 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 Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 12 September 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply via Electronic Application Instructions to HKSCC

Allocation of Public Offer Shares

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 12 September 2018, or, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR PUBLIC OFFER SHARES

- 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 Public Offer in the manner specified in the sub-paragraph headed “Publication of results” above in this section on Wednesday, 12 September 2018.

You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 12 September 2018 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Wednesday, 12 September 2018. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 12 September 2018.

14. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM 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.

HOW TO APPLY FOR PUBLIC OFFER SHARES

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

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

The following is the text of a report received from the reporting accountants of the Company, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purposes of incorporation in this prospectus.

**Grant Thornton****致同**

29 August 2018

**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE
DIRECTORS OF BOLTEK HOLDINGS LIMITED AND KINGSWAY CAPITAL
LIMITED**

Introduction

We report on the historical financial information of Boltek Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-4 to I-44, which comprises the combined statements of financial position of the Group as at 31 December 2016 and 2017 and 31 March 2018, the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 December 2016 and 2017 and the three months ended 31 March 2018 (the “Track Record Period”), and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-4 to I-44 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 29 August 2018 (the “Prospectus”) in connection with the initial listing of shares of the Company on GEM of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation and set out in Notes 1.3 and 2.1, respectively to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants' Reports on Historical Financial Information in Investments Circulars” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that give a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1, respectively to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purpose of the accountants' report, a true and fair view of the Group's combined financial positions as at 31 December 2016 and 2017 and 31 March 2018, and of the Group's combined financial performance and 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, respectively 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 comprise the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the three months ended 31 March 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the presentation and preparation 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 respectively 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 Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Equity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period

Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 respectively to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited 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 8 to the Historical Financial Information which contains information about dividends paid by the Company's subsidiary and states that no dividends have been paid by the Company in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

Chan Tze Kit

Practising Certificate No.: P05707

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The combined financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by Grant Thornton Hong Kong Limited under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") (the "Underlying Financial Statements").

Combined statements of profit or loss and other comprehensive income

		Year ended 31 December		Three months ended 31 March	
	<i>Notes</i>	2016	2017	2017	2018
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(Unaudited)	
Revenue	4	71,313	86,221	19,673	20,809
Cost of services		<u>(42,045)</u>	<u>(50,831)</u>	<u>(11,880)</u>	<u>(11,875)</u>
Gross profit		29,268	35,390	7,793	8,934
Other income	5	820	466	202	58
Administrative expenses		<u>(13,117)</u>	<u>(15,294)</u>	<u>(3,575)</u>	<u>(7,335)</u>
Profit before income tax	6	16,971	20,562	4,420	1,657
Income tax expense	7	<u>(2,809)</u>	<u>(3,372)</u>	<u>(709)</u>	<u>(687)</u>
Profit and total comprehensive income for the year/period		<u>14,162</u>	<u>17,190</u>	<u>3,711</u>	<u>970</u>
Earnings per share attributable to equity holders of the Company					
Basic and diluted	9	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Combined statements of financial position

		At 31 December		At 31
	Notes	2016	2017	March
		HK\$'000	HK\$'000	2018
				HK\$'000
ASSETS AND LIABILITIES				
Non-current asset				
Property, plant and equipment	11	<u>1,153</u>	<u>1,362</u>	<u>1,373</u>
Current assets				
Contract assets	13	6,077	7,338	10,236
Trade and other receivables	12	20,787	25,119	20,252
Cash and bank balances	14	<u>9,149</u>	<u>8,355</u>	<u>23,858</u>
		<u>36,013</u>	<u>40,812</u>	<u>54,346</u>
Current liabilities				
Contract liabilities	13	1,907	657	847
Provisions	15	2,901	2,206	2,189
Trade and other payables	16	5,781	5,403	8,191
Amount due to a director	17	5,514	8,073	–
Amount due to a related party	17	1,200	1,200	1,200
Current tax liabilities		<u>1,017</u>	<u>1,959</u>	<u>2,639</u>
		<u>18,320</u>	<u>19,498</u>	<u>15,066</u>
Net current assets		<u>17,693</u>	<u>21,314</u>	<u>39,280</u>
Total assets less current liabilities		<u>18,846</u>	<u>22,676</u>	<u>40,653</u>
Non-current liability				
Deferred tax liabilities	18	<u>138</u>	<u>131</u>	<u>138</u>
Net assets		<u>18,708</u>	<u>22,545</u>	<u>40,515</u>
EQUITY				
Combined capital	19	–*	–*	16
Reserves	19	<u>18,708</u>	<u>22,545</u>	<u>40,499</u>
Equity attributable to equity holders of the Company		<u>18,708</u>	<u>22,545</u>	<u>40,515</u>

* The balance represented an amount less than HK\$1,000

Combined statements of changes in equity

	Combined capital HK\$'000 (Note 19)	Capital reserve HK\$'000	Share premium HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 January 2016	—*	—	—	17,540	17,540
Profit and total comprehensive income for the year	—	—	—	14,162	14,162
Dividend paid (Note 8)	—	—	—	(12,994)	(12,994)
Balance at 31 December 2016 and 1 January 2017	—*	—	—	18,708	18,708
Profit and total comprehensive income for the year	—	—	—	17,190	17,190
Dividend paid (Note 8)	—	—	—	(13,353)	(13,353)
Balance at 31 December 2017 and 1 January 2018	—*	—	—	22,545	22,545
Issuance of ordinary shares for Loan Capitalisation (Note 19(a)(ii) and Note 24(b))	5,000	—	—	—	5,000
Issuance of ordinary shares for Pre-IPO Investments and Bonus Shares (Note 19(a)(iv))	9	—	11,991	—	12,000
Effect of group reorganisaiton (Note 19(a)(iii))	(4,993)	4,993	—	—	—
Profit and total comprehensive income for the period	—	—	—	970	970
Balance at 31 March 2018	<u>16</u>	<u>4,993</u>	<u>11,991</u>	<u>23,515</u>	<u>40,515</u>
Balance at 1 January 2017	—*	—	—	18,708	18,708
Profit and total comprehensive income for the period	—	—	—	3,711	3,711
Balance at 31 March 2017 (unaudited)	<u>—*</u>	<u>—</u>	<u>—</u>	<u>22,419</u>	<u>22,419</u>

* The balance represented an amount less than HK\$1,000

Combined statements of cash flows

	Year ended 31 December		Three months ended 31 March	
	2016	2017	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Cash flows from operating activities				
Profit before income tax	16,971	20,562	4,420	1,657
Adjustments for:				
Interest income	(1)	(2)	–	–
Depreciation	258	476	108	125
Gain on disposal of property, plant and equipment	<u>(20)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Operating profit before working capital changes	17,208	21,036	4,528	1,782
Increase in contract assets	(689)	(1,261)	(644)	(2,898)
(Increase)/Decrease in trade and other receivables	(2,807)	(4,332)	3,686	4,867
Increase/(Decrease) in trade and other payables	625	(378)	(3,802)	2,788
Increase/(Decrease) in contract liabilities	397	(1,250)	1,624	190
Decrease in amount due to a director	–	(1,200)	–	–
(Decrease)/Increase in provisions	<u>(290)</u>	<u>(695)</u>	<u>101</u>	<u>(17)</u>
Cash generated from operations	14,444	11,920	5,493	6,712
Income tax paid	<u>(2,580)</u>	<u>(2,437)</u>	<u>–</u>	<u>–</u>
<i>Net cash generated from operating activities</i>	<u>11,864</u>	<u>9,483</u>	<u>5,493</u>	<u>6,712</u>
Cash flows from investing activities				
Purchase of property, plant and equipment	(1,016)	(685)	(159)	(136)
Proceeds from disposal of property, plant and equipment	20	–	–	–
Interest received	<u>1</u>	<u>2</u>	<u>–</u>	<u>–</u>
<i>Net cash used in investing activities</i>	<u>(995)</u>	<u>(683)</u>	<u>(159)</u>	<u>(136)</u>

	Year ended 31 December		Three months ended 31 March	
	2016	2017	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Cash flows from financing activities				
Dividends paid	(8,680)	(9,594)	–	(3,073)
Proceeds from the issue of shares	–	–	–	12,000
<i>Net cash (used in)/generated from financing activities</i>	<u>(8,680)</u>	<u>(9,594)</u>	<u>–</u>	<u>8,927</u>
Net increase/(decrease) in cash and cash equivalents	2,189	(794)	5,334	15,503
Cash and cash equivalents at the beginning of year/period	<u>6,960</u>	<u>9,149</u>	<u>9,149</u>	<u>8,355</u>
Cash and cash equivalents at end of year/period, represented by cash and bank balances	<u>9,149</u>	<u>8,355</u>	<u>14,483</u>	<u>23,858</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PRESENTATION

1.1 General information

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands on 18 April 2018. The addresses of the Company's registered office and principal place of business are set out in the section headed "Corporate Information" of the Prospectus.

The Company is an investment holding company. The Group is principally engaged in provision of engineering consultancy services in Hong Kong.

The Company's immediate and ultimate holding company is Waywin Investment Holding Limited, a company incorporated in the British Virgin Islands (the "BVI"). The ultimate controlling shareholder of the Group is Mr. Cheung Kwan Tar ("Mr. Cheung" or "Controlling Shareholder").

1.2 Reorganisation

Pursuant to a group reorganisation (the "Reorganisation") as detailed in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in the Prospectus, which was completed on 10 August 2018, the Company became the holding company of the companies now comprising the Group.

Upon the completion of the Reorganisation and as at the date of this report, the Company had direct or indirect interest in the following subsidiaries:

Name of Company	Place of incorporation	Date of incorporation	Particulars of issued and paid up capital	Proportion of ownership interest Group's effective interest	Principal activities
Directly held by the Company					
Richness Universal Limited ("Richness Universal") (Note (a))	The BVI	12 January 2018	2,000 ordinary shares	100%	Investment holding
Indirectly held by the Company					
Mannings (Asia) Consultants Limited ("Mannings") (Note (b))	Hong Kong	20 October 2005	5,000,000 ordinary shares	100%	Provision of engineering consultancy services in Hong Kong

- (a) No statutory financial statements have been prepared for Richness Universal as it is newly incorporated and not subject to statutory audit requirements under relevant rules and regulations in the jurisdiction of incorporation.
- (b) The statutory financial statements for the years ended 31 December 2016 and 2017 were audited by Global Vision CPA Limited.

1.3 Basis of presentation

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 10 August 2018. The group entities and business were under the control of Mr. Cheung throughout the Track Record Period. Accordingly, for the purpose of the preparation of the Historical Financial Information of the Group, the Company has been considered as the holding company of the companies and business now comprising the Group throughout the Track Record Period. The Group is under the common control of the Controlling Shareholder prior to and after the Reorganisation. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity.

The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for the Track Record Period, which include the financial performance, changes in equity and cash flows of the companies now comprising the Group have been prepared using the principles of merger accounting under Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation where this is a shorter period. The combined statements of financial position as at 31 December 2016, 2017 and 31 March 2018 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence as at those respective dates.

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 periods presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standard (“HKFRSs”) which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA, and the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of The Stock Exchange (“GEM Listing Rules”).

The significant accounting policies that have been used in the preparation of this Historical Financial Information are summarised below.

The Historical Financial Information has been prepared under the historical cost basis. The Historical Financial Information is presented in Hong Kong dollars (“HK\$” or “HKD”), which is also the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousand (HK\$’000), except where otherwise indicated.

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 accounting policies of the Group. 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 3 below.

For the purpose of preparing and presenting the Historical Financial Information, all new standards, amendments to standards and interpretations are consistently adopted by the Group, which are mandatory for the financial year beginning 1 January 2018. These policies has been consistently applied by the Group in the Track Record Period.

New and amended standards not yet adopted by the Group

The Group have not early applied the following new and amended Standards, Amendments and Interpretations ("new and amended HKFRSs") which have been issued but are not yet effective:

HKFRS 16	Leases ¹
HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ¹
Amendments to HKAS 19	Plan amendment, curtailment or settlement ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ¹

¹ Effective for annual periods beginning on or after 1 January 2019

² Effective for annual periods beginning on or after 1 January 2021

³ Effective date not yet determined

The directors anticipate that all the relevant new and amended HKFRSs will be adopted in the Group's accounting policy for the first period beginning after the effective date of such standards. The Group is in the process of making an assessment of the impact of these new and amended HKFRSs upon initial application. Currently it has been considered that adoption of them is unlikely to have an impact on the Group's results of operations and financial position, except for the following:

HKFRS 16 Leases

HKFRS 16 'Leases' will replace HKAS 17 and three related Interpretations. As disclosed in Note 2.8, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases of premises which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the combined statement of profit or loss and other comprehensive income over the period of the lease. As disclosed in Note 20, as at 31 March 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to HK\$9,212,000 for premises, the majority of which is payable either between 1 and 5 years or in more than 5 years after the reporting date. Given that the total non-cancellable operating

lease commitments account for 60.6% of the total liabilities of the Group as at 31 March 2018, the directors of the Company expect that the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's combined statements of financial position but would not have significant impact on the Group's results.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transition options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt HKFRS 16 retrospectively or follow a modified retrospective method of recognising a cumulative-effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

2.2 Basis of consolidation and combination

The Historical Financial Information incorporates the financial information of the Company and all its subsidiaries made up to respective year end dates during the Track Record Period.

Subsidiaries are entities 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. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the Historical Financial Information from the date it gains control until the date when the Group ceases to control the subsidiary.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

2.3 Foreign currency translation

In the individual financial statements of the combined entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Depreciation commences when the assets are ready for their intended use.

Depreciation is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvements	Over the term of lease or 25%, whichever is shorter
Furniture and fixtures	20%
Computer equipment	25%
Motor vehicles	25%

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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 costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

2.5 Financial instruments

Financial assets and financial liabilities are recognised in the combined statement of financial position when a Group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

A financial asset or financial liability (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) *Classification and measurement of financial assets*

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income (FVTOCI) – debt investment; FVTOCI – equity investment; or fair value through profit or loss (FVTPL).

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVTOCI as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile,

matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the profit or loss. Any gain or loss on derecognition is recognised in the profit or loss.

(ii) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised on its combined statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In such cases, the transferred assets are not derecognised.

(iii) Impairment of financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on financial assets measured at amortised cost.

The Group measures loss allowances at an amount equal to lifetime ECL. For trade receivables and contract assets, the Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which requires the use of the lifetime expected loss provision for all trade receivables and contract assets.

Impairment on other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

Credit-impaired financial assets

At each reporting date, the Group assesses on a forward looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the combined statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(iv) Classification and measurement of financial liabilities

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in the profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gain or loss on derecognition is also recognised in the profit or loss.

(v) Derecognition of financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the profit or loss.

(vi) *Offsetting*

Financial assets and financial liabilities are offset and the net amount presented in the combined statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under HKFRS, or for gains and losses arising from a group of similar transactions.

2.6 Impairment of non-financial assets

Property, plant and equipment are subject to impairment testing. They are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e., a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

2.7 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.8 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the combined statement of profit or loss and other comprehensive income on a straight-line basis over the lease terms except where an alternative basis is more

representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

Assets leased out under operating leases as the lessor

Assets leased out under operating leases are measured and presented according to the nature of the assets. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the rental income.

Rental income receivable from operating leases is recognised in profit or loss on a straight-line basis over the periods covered by the lease term, except where an alternative basis is more representative of the time pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

2.9 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

2.10 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares (net of any related income tax benefit) are deducted from share premium to the extent they are incremental cost directly attributable to the equity transaction.

2.11 Revenue recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to customers.

Control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if:

- (i) the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- (ii) the Group’s performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced; or

- (iii) the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If the control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

(a) Engineering design and consultancy service

Revenue from engineering design consultancy service contracts is recognised progressively based on the contract costs incurred to date as a percentage of total forecast costs to depict the transfer of control of the goods or services to the customer. The Group recognises revenue over time only if it can reasonably measure its progress toward complete satisfaction of the performance obligation.

However, if the Group cannot reasonably measure the outcome but expects to recover the costs incurred in satisfying the performance obligation, then it recognises revenue to the extent of the costs incurred.

Incremental cost of obtaining a contract is capitalised if the Group expects to recover those costs, unless the amortisation period for such costs would be one year or less. Costs that will be incurred regardless of whether the contract is obtained are expensed as they are incurred.

The Group presents a contract liability or a contract asset in its combined statements of financial position when either party to the contract has performed. The Group performs by transferring goods or services to the customer, and the customer performs by paying consideration to the Group. Any unconditional rights to consideration are presented separately as "Trade and other receivable".

Contract liabilities are obligations to transfer goods or services to a customer for which the Group has received consideration, or for which an amount of consideration is due from the customer.

Contract assets are rights to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditional on something other than the passage of time.

(b) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

2.12 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

2.13 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

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 reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Long service payment

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payment under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payment in the event that such a termination of employment meets the circumstances specified in the Hong Kong Employment Ordinance.

The long service payment liabilities are the present value of long service payment obligation less the entitlements accrued under the Group's defined contribution retirement benefit plans that is attributable to contributions made by the Group.

2.14 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the Historical Financial Information and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

When different tax rates apply to different levels of taxable profit, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable profit of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (1) when the existing temporary differences will reverse and (2) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

- profit or loss excluding reversals of temporary differences; and
- reversals of existing temporary differences.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.15 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision maker for their decisions about resources allocation to the Group's business components for their review of the performance of those components.

2.16 Related parties

For the purposes of the Historical Financial Information, a party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and if that person:
 - (i) has control or joint control over of the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.
- (b) the party is an entity and if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group.
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) the entity and the Group are joint ventures of the same third party.

- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group (if the Group is itself such a plan) and the sponsoring employers are also related to the Group.
- (vi) the entity is controlled or jointly controlled by a person identified in (a).
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 discussed below:

(a) Revenue

As further explained in Note 2.11 to the Historical Financial Information, revenue recognition on provision of engineering consultancy services is dependent on the estimation of the progress of the satisfaction of performance obligation of a service contract over time. Based on the Group's past experience and the nature of the contract activities undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and the revenue can be reliably estimated. Actual outcome in terms of total contract costs and/or revenue may be higher or lower than those estimated at the end of each reporting period, which would affect the revenue and profit recognised in future years.

Significant judgement is required to estimate the total contract costs and the recoverable variation works that will affect whether any provision is required for foreseeable losses. The estimates are made based on past experience and knowledge of the project management.

Details of the revenue, contract balances and provision for an onerous contract are disclosed in Note 4, Note 13 and Note 15 respectively.

(b) Provision for impairment of trade receivables

The Group determines the provision for impairment of trade receivables based on assumption about risk of default and expected loss rates. This estimate is based on the credit history of the customers, the current market condition and forward looking elements. Management reassesses the adequacy of provision on a regular basis by reviewing the individual account based on past credit history and any prior knowledge of debtor insolvency or other credit risk which might not be easily accessible public information and market volatility might bear a significant impact which might not be easily ascertained.

Details of the trade receivables are disclosed in Note 12.

4. REVENUE AND SEGMENT INFORMATION

4.1 Revenue

The Group's principal activities are disclosed in Note 1.1 of Section II to the Historical Financial Information. Revenue is recognised over time and is disaggregated by nature of engineering consultancy services as follows:

	Year ended 31 December		Three months ended 31 March	
	2016	2017	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Civil engineering				
– Road & Structural engineering	36,346	47,571	13,134	8,875
– Geotechnical engineering	7,892	8,130	1,380	2,129
– Others	7,359	6,001	507	586
	51,597	61,702	15,021	11,590
Traffic engineering	17,576	21,795	3,915	7,373
Other ancillary services	2,140	2,724	737	1,846
	71,313	86,221	19,673	20,809

Under the contracts with customers, each consultancy service contract relates to facts and circumstances that are specific to each customer. Contract terms provide the Group with an enforceable right to payment, for its performance completed to date, of its costs incurred plus a reasonable margin.

Remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at 31 December 2016 and 2017 and 31 March 2018.

	At 31 December 2016 HK\$'000
Remaining performance obligations expected to be satisfied during the year ending	
31 December 2017	41,470
31 December 2018	32,739
After 31 December 2018	8,937
	83,146

At 31
December 2017
HK\$'000

Remaining performance obligations expected to be satisfied during the year ending

31 December 2018	54,678
31 December 2019	13,508
After 31 December 2019	<u>13,723</u>
	<u>81,909</u>

At 31 March
2018
HK\$'000

Remaining performance obligations expected to be satisfied during the year/period ending

31 December 2018	46,429
31 December 2019	24,995
After 31 December 2019	<u>22,043</u>
	<u>93,467</u>

4.2 Segment information

The chief operating decision-maker has been identified as the executive directors of the Company. The directors regard the Group's business of provision of engineering consultancy services as a single operating segment and reviews the overall results of the Group as a whole to make decision about resources allocation. Accordingly, no segment analysis information is presented.

Geographical information

No separate analysis of segment information by geographical segment is presented as the Group's revenue and non-current assets are principally attributable to a single geographical region, which is Hong Kong.

Information about major customers

Revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

	Year ended 31 December		Three months ended	
	2016	2017	31 March 2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Customer A	N/A*	9,196	4,596	N/A*
Customer B	N/A*	N/A*	N/A*	3,031
Customer C	N/A*	N/A*	2,431	N/A*

* The corresponding revenue does not contribute over 10% of total revenue of the Group.

5. OTHER INCOME

	Year ended 31 December		Three months ended 31 March	
	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000 (Unaudited)	2018 HK\$'000
Bank interest income	1	2	–	–
Administrative services fee	440	–	–	–
Gain on disposal of property, plant and equipment	20	–	–	–
Rental income	135	–	–	–
Government subsidies (<i>note</i>)	178	337	135	34
Sundry income	46	127	67	24
	<u>820</u>	<u>466</u>	<u>202</u>	<u>58</u>

Note: Subsidies have been received from the Hong Kong Vocational Training Council and the Construction Industry Council, institutions established by the HKSAR Government, for providing on-the-job training for graduate engineers and trainees, respectively. There were no unfulfilled conditions or contingencies relating to these subsidies.

6. PROFIT BEFORE INCOME TAX

	Year ended 31 December		Three months ended 31 March	
	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000 (Unaudited)	2018 HK\$'000
Profit before income tax is stated after charging:				
(a) Staff costs (including directors' emoluments (<i>Note 10(a)</i>) (<i>note (i)</i>))				
– Salaries, wages and other benefits	38,389	43,631	10,365	10,597
– Contributions to defined contribution retirement plans	1,229	1,486	365	413
	<u>39,618</u>	<u>45,117</u>	<u>10,730</u>	<u>11,010</u>
(b) Other items				
Depreciation (included in administrative expenses)				
– Owned assets	258	476	108	125
Subconsultancy fees (included in cost of services)	10,058	14,390	2,976	2,665
Auditor's remuneration	20	20	–	–
Operating lease charges in respect of leased premises	1,668	2,471	564	693
Listing expenses	–	–	–	3,721

Note:

- (i) Staff costs (including directors' emoluments)

	Year ended 31 December		Three months ended 31 March	
	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000 (Unaudited)	2018 HK\$'000
Cost of services	31,889	36,651	8,745	9,089
Administrative expenses	7,729	8,466	1,985	1,921
	<u>39,618</u>	<u>45,117</u>	<u>10,730</u>	<u>11,010</u>

7. INCOME TAX EXPENSE

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the 'Bill') which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

For the three months ended 31 March 2018, Hong Kong Profits Tax of Mannings, a subsidiary of the Group, is calculated in accordance with the two-tiered profits tax rates regime.

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for the respective years/periods during the Track Record Period except the three months ended 31 March 2018.

	Year ended 31 December		Three months ended 31 March	
	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000 (Unaudited)	2018 HK\$'000
Provision for Hong Kong Profits Tax				
– Current tax	2,691	3,399	714	710
– Statutory tax concession	(20)	(20)	(20)	(30)
	<u>2,671</u>	<u>3,379</u>	<u>694</u>	<u>680</u>
Deferred tax (<i>Note 18</i>)				
– Current tax	138	(7)	15	13
– Effect of change in tax rates	–	–	–	(6)
	<u>138</u>	<u>(7)</u>	<u>15</u>	<u>7</u>
	<u>2,809</u>	<u>3,372</u>	<u>709</u>	<u>687</u>

Reconciliation between income tax expense and accounting profit at applicable tax rate:

	Year ended 31 December		Three months ended	
	2016	2017	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Profit before income tax	<u>16,971</u>	<u>20,562</u>	<u>4,420</u>	<u>1,657</u>
Tax at Hong Kong Profits Tax rate of 16.5%	2,800	3,393	729	273
Tax effect of non-deductible expenses	2	–	–	615
Tax effect of non-taxable revenue	(4)	(1)	–	–
Tax effect of temporary differences not recognised	31	–	–	–
Effect of two-tiered profits tax rates regime	–	–	–	(165)
Effect on opening deferred tax balance arising from a change in tax rates during the year	–	–	–	(6)
Statutory tax concession	<u>(20)</u>	<u>(20)</u>	<u>(20)</u>	<u>(30)</u>
Income tax expense	<u>2,809</u>	<u>3,372</u>	<u>709</u>	<u>687</u>

8. DIVIDENDS

	Year ended 31 December		Three months ended	
	2016	2017	2017	2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Interim dividends	<u>12,994</u>	<u>13,353</u>	<u>–</u>	<u>–</u>

No dividends have been paid or declared by the Company since its date of incorporation.

Prior to the Reorganisation, Mannings has declared and appropriated dividends to its then shareholder amounted to HK\$12,994,000 and HK\$13,353,000 during the year ended 31 December 2016 and 2017 respectively.

The rate and number of shares ranking for dividends are not presented as such information is not meaningful having regard to the basis of presentation and preparation of the Historical Financial Information as disclosed in Note 1.3 and 2.1 of Section II above.

9. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion for the purpose of this financial information is not meaningful due to the Reorganisation and the basis of presentation and preparation of the results of the Group for the Track Record Period on a combined basis as disclosed in Note 1.3 and 2.1 of Section II above.

10. DIRECTORS' EMOLUMENTS

(a) Directors' emoluments

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contribution HK\$'000	Total HK\$'000
Year ended					
31 December 2016					
<i>Executive directors:</i>					
Mr. Cheung Kwan Tar (note (i))	–	2,400	–	18	2,418
Mr. Ng Pak Hung (note (ii))	–	1,260	260	18	1,538
	<u>–</u>	<u>3,660</u>	<u>260</u>	<u>36</u>	<u>3,956</u>
Year ended					
31 December 2017					
<i>Executive directors:</i>					
Mr. Cheung Kwan Tar (note (i))	–	2,400	–	27	2,427
Mr. Ng Pak Hung (note (ii))	–	1,320	238	27	1,585
	<u>–</u>	<u>3,720</u>	<u>238</u>	<u>54</u>	<u>4,012</u>
Three months ended					
31 March 2018					
<i>Executive directors:</i>					
Mr. Cheung Kwan Tar (note (i))	–	600	–	7	607
Mr. Ng Pak Hung (note (ii))	–	338	37	7	382
	<u>–</u>	<u>938</u>	<u>37</u>	<u>14</u>	<u>989</u>

	Fees HK\$'000	Salaries, allowances, and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Retirement scheme contribution HK\$'000	Total HK\$'000
Three months ended					
31 March 2017					
(unaudited)					
<i>Executive directors:</i>					
Mr. Cheung Kwan Tar (note (i))	–	600	–	7	607
Mr. Ng Pak Hung (note (ii))	–	330	60	7	397
	–	930	60	14	1,004

- (i) Mr. Cheung Kwan Tar was a director of the Company's subsidiary during the Track Record Period and was appointed as a director of the Company on 18 April 2018 and redesignated as an executive director of the Company on 20 August 2018.
- (ii) Mr. Ng Pak Hung was an employee of the Company's subsidiary during the Track Record Period and was appointed as a director of the Company on 18 April 2018 and redesignated as an executive director of the Company on 20 August 2018.
- (iii) The emoluments shown above were for the services in connection with the management of the affairs of the Group during the Track Record Period.
- (iv) Mr. Chan Yu Sum, Mr. Chan Kai Kow Macksion and Mr. Chan Wan Fung were appointed as independent non-executive directors of the Company on 20 August 2018. During the Track Record Period, the independent non-executive directors have not yet been appointed and have not received any directors' remuneration in the capacity of independent non-executive directors.
- (v) For the years ended December 2016 and 2017 and three months ended 31 March 2018, no emoluments were paid by the Group to a director as an inducement to join or upon the Group or as compensation for loss of office as a director or management of any members of the Group.
- (vi) The discretionary bonuses are determined by reference to the financial performance of the Group and the performance of individual director in each of the Track Record Period.
- (vii) For the years ended 31 December 2016 and 2017 and three months ended 31 March 2018, there was no arrangement under which a director has waived or agreed to waive any emolument.

(b) Five highest paid individuals

For the years ended 31 December 2016 and 2017 and three months ended 31 March 2018, the five individuals whose emoluments were the highest in the Group included two, two and two directors respectively.

Details of the emoluments of the remaining three highest paid individuals are as follows:

	Year ended 31 December		Three months ended 31 March	
	2016 HK\$'000	2017 HK\$'000	2017 HK\$'000 (Unaudited)	2018 HK\$'000
Salaries, fee and allowances	3,996	4,176	1,044	1,058
Discretionary bonuses	570	498	135	115
Retirement scheme contributions	52	45	11	11
	<u>4,618</u>	<u>4,719</u>	<u>1,190</u>	<u>1,184</u>

The emoluments fell within the following bands:

	Year ended 31 December		Three months ended 31 March	
	2016	2017	2017	2018
Emolument bands:				
HK\$Nil – HK\$1,000,000	–	–	3	3
HK\$1,000,001 – HK\$1,500,000	1	1	–	–
HK\$1,500,001 – HK\$2,000,000	2	2	–	–
	<u>2</u>	<u>2</u>	<u>–</u>	<u>–</u>

For the years ended 31 December 2016 and 2017 and three months ended 31 March 2018, no emoluments were paid by the Group to the above highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office as a director or management of any members of the Group.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2016					
Cost	100	169	383	1,039	1,691
Accumulated depreciation	<u>(50)</u>	<u>(62)</u>	<u>(145)</u>	<u>(1,039)</u>	<u>(1,296)</u>
Net book amount	<u>50</u>	<u>107</u>	<u>238</u>	<u>–</u>	<u>395</u>
Year ended 31 December 2016					
Opening net book amount	50	107	238	–	395
Additions	–	236	567	213	1,016
Depreciation	<u>(25)</u>	<u>(60)</u>	<u>(151)</u>	<u>(22)</u>	<u>(258)</u>
Closing net book amount	<u>25</u>	<u>283</u>	<u>654</u>	<u>191</u>	<u>1,153</u>
At 31 December 2016 and 1 January 2017					
Cost	100	405	950	1,090	2,545
Accumulated depreciation	<u>(75)</u>	<u>(122)</u>	<u>(296)</u>	<u>(899)</u>	<u>(1,392)</u>
Net book amount	<u>25</u>	<u>283</u>	<u>654</u>	<u>191</u>	<u>1,153</u>
Year ended 31 December 2017					
Opening net book amount	25	283	654	191	1,153
Additions	237	229	219	–	685
Depreciation	<u>(30)</u>	<u>(105)</u>	<u>(288)</u>	<u>(53)</u>	<u>(476)</u>
Closing net book amount	<u>232</u>	<u>407</u>	<u>585</u>	<u>138</u>	<u>1,362</u>
At 31 December 2017 and 1 January 2018					
Cost	337	634	1,169	1,090	3,230
Accumulated depreciation	<u>(105)</u>	<u>(227)</u>	<u>(584)</u>	<u>(952)</u>	<u>(1,868)</u>
Net book amount	<u>232</u>	<u>407</u>	<u>585</u>	<u>138</u>	<u>1,362</u>
Three months ended 31 March 2018					
Opening net book amount	232	407	585	138	1,362
Additions	–	54	82	–	136
Depreciation	<u>(15)</u>	<u>(34)</u>	<u>(63)</u>	<u>(13)</u>	<u>(125)</u>
Closing net book amount	<u>217</u>	<u>427</u>	<u>604</u>	<u>125</u>	<u>1,373</u>
At 31 March 2018					
Cost	337	688	1,251	1,090	3,366
Accumulated depreciation	<u>(120)</u>	<u>(261)</u>	<u>(647)</u>	<u>(965)</u>	<u>(1,993)</u>
Net book amount	<u>217</u>	<u>427</u>	<u>604</u>	<u>125</u>	<u>1,373</u>

12. TRADE AND OTHER RECEIVABLES

	At 31 December		At 31
	2016	2017	March
	HK\$'000	HK\$'000	2018
			HK\$'000
Trade receivables	18,484	19,809	15,629
Other receivables and prepayments	2,144	5,112	4,422
Utility and other deposits	159	198	201
	<u>20,787</u>	<u>25,119</u>	<u>20,252</u>

The directors of the Group consider that the fair values of trade and other receivables are not materially different from their carrying amounts, because their balances have short maturity periods on their inception.

Trade receivables

The Group usually provide customers with a credit term of 0 to 60 days. For the settlement of trade receivables from provision of engineering consultancy services, the Group usually reaches an agreement on the term of each payment with the customer by taking into account of factors such as, among other things, the credit history of the customer, its liquidity position and the Group's working capital needs, which varies on a case-by-case basis that requires the judgment and experience of the management.

Based on the invoice dates, the ageing analysis of the trade receivables was as follows:

	At 31 December		At 31
	2016	2017	March
	HK\$'000	HK\$'000	2018
			HK\$'000
0 – 30 days	4,502	6,175	7,089
31 – 60 days	7,999	3,557	4,468
61 – 90 days	2,573	5,043	1,034
91 – 365 days	3,296	4,683	2,997
Over 365 days	114	351	41
	<u>18,484</u>	<u>19,809</u>	<u>15,629</u>

At each reporting date, the Group reviewed trade receivables for evidence of impairment on both an individual and collective basis. Based on this assessment, no provision for impairment has been recognised at 31 December 2016 and 2017 and 31 March 2018.

Ageing of trade receivables which are past due but not impaired, based on due date, were as follows:

	At 31 December		At 31
	2016	2017	March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Neither past due nor impaired	12,249	9,029	10,386
1 – 30 days past due	2,654	5,718	2,183
31 – 60 days past due	949	1,507	566
61 – 90 days past due	449	452	388
Over 90 days past due	2,183	3,103	2,106
	6,235	10,780	5,243
	18,484	19,809	15,629

Trade receivables which were past due but not impaired related to a number of independent customers that have a good track record with the Group. Based on historical and forward looking elements of the Group, management believes that no impairment allowance is necessary in respect of these balances as there has not been significant change in credit quality of customers and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Other receivables

No amounts in relation to other receivables were past due at 31 December 2016 and 2017 and 31 March 2018.

13. CONTRACT BALANCES

	At 31 December		At 31
	2016	2017	March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract assets	6,077	7,338	10,236
Contract liabilities	(1,907)	(657)	(847)
	4,170	6,681	9,389
Contract costs incurred plus recognised profits less recognised losses	118,841	154,565	163,138
Less: Progress billings	(114,671)	(147,884)	(153,749)
	4,170	6,681	9,389

The amount of revenue recognised during the years ended 31 December 2016 and 31 December 2017 and three months ended 31 March 2018 from performance obligations satisfied in previous periods, mainly due to the changes in estimate of the stage of completion, is HK\$3,652,000, HK\$809,000 and HK\$338,000 respectively.

The contract assets primarily relate to the Group's rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. The contract liabilities primarily relate to the advanced consideration received from customers, for which revenue is recognised based on the progress of the provision of related services.

Movements in the contract assets and the contract liabilities balances during the Track Record Period are as follows:

	For the year ended 31 December				For the three months ended 31 March			
	2016	2017	2017	2018	2017	2018	2018	2018
	Contract assets	Contract liabilities	Contract assets	Contract liabilities	Contract assets	Contract liabilities	Contract assets	Contract liabilities
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)	(Unaudited)		
Revenue recognised that was included in the contract liability balance at the beginning of the year/period	-	1,460	-	1,828	-	1,467	-	462
Transfers from contract assets recognised at the beginning of the year/period to receivables	(4,824)	-	(4,713)	-	(2,975)	-	(3,469)	-

14. CASH AND BANK BALANCES

	At 31 December 2016	At 31 December 2017	At 31 March 2018
	HK\$'000	HK\$'000	HK\$'000
Cash at banks	9,149	8,355	23,858

Note: Cash at banks earns interest at floating rates based on daily bank deposit rates.

15. PROVISIONS

Movements in provisions during the Track Record Period are as follows:

	An onerous contract	Employee benefits	Total
	HK\$'000	HK\$'000	HK\$'000
	(note a)	(note b)	
As at 1 January 2016	3,037	154	3,191
Provision during the year	-	142	142
Realisation during the year	(432)	-	(432)
As at 31 December 2016 and 1 January 2017	2,605	296	2,901
Realisation during the year	(695)	-	(695)
As at 31 December 2017 and 1 January 2018	1,910	296	2,206
Realisation during the period	(17)	-	(17)
As at 31 March 2018	1,893	296	2,189

Notes:

- (a) As at 31 December 2016 and 2017 and 31 March 2018, the Group had a provision of HK\$2,605,000, HK\$1,910,000 and HK\$1,893,000 for an onerous contract respectively, of which the expected unavoidable costs of meeting the performance obligation as stated in engineering consultancy contract have exceeded the economic benefits expected to be received. The provision was recognised for the contract based on the estimated minimum net cost of completing the contract.
- (b) The provision for employee benefits represents annual leave and long service payment.

16. TRADE AND OTHER PAYABLES

	At 31 December		At 31
	2016	2017	March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables (<i>note (a)</i>)	1,661	1,236	2,178
Accruals and other payables (<i>note (b)</i>)	4,120	4,167	6,013
	<u>5,781</u>	<u>5,403</u>	<u>8,191</u>

Notes:

- (a) The Group is usually granted by suppliers with a credit term of 0 to 30 days.

The ageing analysis of trade payables based on the invoice date is as follows:

	At 31 December		At 31
	2016	2017	March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	1,312	433	903
31 – 60 days	57	41	122
61 – 90 days	178	39	21
91 – 365 days	104	616	1,069
Over 365 days	10	107	63
	<u>1,661</u>	<u>1,236</u>	<u>2,178</u>

- (b) Included in the Group's accruals and other payable as at 31 March 2018 was an amount of HK\$4,874,000, which represented accrued listing expenses.
- (c) All amounts are short-term and hence, the carrying values of the Group's trade payables and accruals and other payables are considered to be a reasonable approximation of fair value.

17. AMOUNT DUE TO A DIRECTOR/A RELATED PARTY

Particulars of amount due to a director and a related party are as follows:

	At 31 December		At 31
	2016	2017	March
	HK\$'000	HK\$'000	2018
			HK\$'000
Amount due to a director			
Mr. Cheung Kwan Tar (<i>note (a)</i>)	5,514	8,073	–
	<u>5,514</u>	<u>8,073</u>	<u>–</u>
	At 31 December		At 31
	2016	2017	March
	HK\$'000	HK\$'000	2018
			HK\$'000
Amount due to a related party			
Ms. Chiu Chui Ping (<i>note (b)</i>)	1,200	1,200	1,200
	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>

Notes:

- (a) The amount due to a director is non-trade in nature. The amount due is unsecured, non-interest bearing and repayable on demand.
- (b) The amount due to a related party, Ms. Chiu Chui Ping who is the spouse of the Controlling Shareholder and senior management of the Group, is non-trade in nature. The amount due is unsecured, non-interest bearing and repayable on demand.

18. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using taxation rate of 16.5% in Hong Kong for the years ended 31 December 2016 and 2017 and using the average tax rates that are expected to apply to the taxable profit of the years in which the temporary differences are expected to be utilised for the three months ended 31 March 2018.

The movement in deferred tax liabilities during the Track Record Period and recognised in the combined statements of the financial position as at each reporting date are as follows:

	Accelerated tax depreciation HK\$'000
As at 1 January 2016	–
Charged to profit or loss (<i>Note 7</i>)	<u>138</u>
As at 31 December 2016 and 1 January 2017	138
Credited to profit or loss (<i>Note 7</i>)	<u>(7)</u>
As at 31 December 2017 and 1 January 2018	131
Effect of change in tax rates (<i>Note 7</i>)	(6)
Charged to profit or loss (<i>Note 7</i>)	<u>13</u>
As at 31 March 2018	<u>138</u>

As at 31 December 2016 and 2017 and 31 March 2018, the Group did not have any material unrecognised deferred tax assets/liabilities.

19. CAPITAL AND RESERVES

(a) Combined capital

	At 31 December		At 31
	2016	2017	March
	HK\$'000	HK\$'000	2018
			HK\$'000
Combined capital	—*	—*	16

Notes:

- (i) For the purpose of the preparation of the combined statements of financial position, the balance of combined capital at 31 December 2016 and 2017 represents the aggregate of the paid up share capital of the subsidiaries comprising the Group prior to the Reorganisation. Combined capital of the Group as at 31 March 2018 represents the share capital of Richness Universal.
- (ii) On 27 February 2018, the share capital of Mannings was increased by HK\$4,999,900 with allotment of 4,999,900 ordinary shares by capitalising HK\$4,999,900 of amounts due to the then shareholder ("Loan Capitalisation").
- (iii) On 12 January 2018, Richness Universal was incorporated in the BVI with liability limited by shares and is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each. On 5 March 2018, one ordinary share of Richness Universal was issued and allotted to Mr. Cheung Kwan Tar at par value for cash consideration.

On 7 March 2018, Mr. Cheung Kwan Tar, as vendor, and Richness Universal, as purchaser, entered into a sale and purchase agreement, pursuant to which Richness Universal acquired 5,000,000 shares of Mannings, representing all of its issued shares from Mr. Cheung Kwan Tar and in return, Richness Universal issued and allotted 901 ordinary shares credited as fully-paid to Mr. Cheung Kwan Tar. Upon the completion of the above acquisition on 8 March 2018, Mannings became a wholly-owned subsidiary of Richness Universal.
- (iv) During the three months ended 31 March 2018, as part of the Reorganisation, (i) Richness Universal was authorised to allot and issue, credited as fully paid, a total of 482 ordinary shares of US\$1 each to Pre-IPO Investors at consideration of HK\$12,000,000 ("Pre-IPO Investments"); and (ii) 518 new ordinary shares and 98 new ordinary shares of Richness Universal, credited as fully paid at par, were allotted to Mr. Cheung Kwan Tar and a Pre-IPO Investor respectively, by way of bonus issue ("Bonus Shares").
- (v) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 18 April 2018 with an initial authorised share capital of HK\$100,000 divided into 10,000,000 ordinary shares of HK\$0.01 each and 1 nil-paid share was issued thereafter.

* The balance represented an amount less than HK\$1,000

(b) Reserves

The reconciliation between the opening and closing balances of each component of the Group's combined equity is set out in the combined statements of changes in equity.

Capital reserve

Capital reserve of the Group as at 31 March 2018 represents the difference between the nominal value of the share capital of a subsidiary acquired by the Group and the nominal value of the Richness Universal's shares issued for the acquisition under the Reorganisation.

20. OPERATING LEASE COMMITMENTS**As lessee**

At the end of each reporting date, the total future minimum lease payments payable by the Group under non-cancellable operating leases are as follows:

	At 31 December		At 31
	2016	2017	March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	2,220	2,849	1,943
In the second to fifth years	6,950	6,596	4,170
After five years	5,270	4,127	3,099
	<u>14,440</u>	<u>13,572</u>	<u>9,212</u>

The Group is the lessee in respect of premises under operating leases. The leases typically run for an initial period of two to ten years. The leases do not include contingent rentals.

21. RELATED PARTY TRANSACTIONS

In addition to the balances and transactions detailed elsewhere in the Historical Financial Information, the Group had the following related party transactions during the Track Record Period.

(a) Key management personnel remuneration

The emoluments of the directors and senior management of the Company, who represent the key management personnel during the Track Record Period are as follows:

	Year ended 31 December		Three months ended	
	2016	2017	31 March	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
			(Unaudited)	
Salaries, fee and allowances	7,517	8,502	2,126	1,961
Discretionary bonuses	520	476	119	73
Retirement benefit scheme contributions	78	117	29	33
	<u>8,115</u>	<u>9,095</u>	<u>2,274</u>	<u>2,067</u>

(b) Material related party transactions

Name of related party	Nature	Year ended 31 December		Three months ended 31 March	
		2016 HK\$'000	2017 HK\$'000	2017 HK\$'000 (Unaudited)	2018 HK\$'000
Mr. Cheung Kwan Tar (<i>note (a)</i>)	Rental expense	370	396	97	104
Ms. Chiu Chui Ping (<i>note (b)</i>)	Rental expense	180	193	48	52
Head Concept Limited (<i>note (c)</i>)	Rental expense	135	145	36	39
Jetek Co., Limited (<i>note (d)</i>)	Rental expense	290	787	194	247
Manita Company Limited (<i>note (e)</i>)	Rental expense	144	154	43	46

Notes:

- (a) Mr. Cheung Kwan Tar is the Controlling Shareholder and an executive director of the Company.
- (b) Ms. Chiu Chui Ping is the spouse of Mr. Cheung Kwan Tar and senior management of the Group.
- (c) Head Concept Limited is owned by Mr. Cheung Kwan Tar as to 51% and Ms. Chiu Chui Ping as to 49%.
- (d) Jetek Co., Limited is wholly owned by Mr. Cheung Kwan Tar.
- (e) Manita Company Limited is wholly owned by Ms. Chiu Chui Ping.

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations. The financial risks include interest rate risk, credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the board of directors.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

22.1 Categories of financial assets and liabilities

The carrying amounts presented in the combined statements of financial position relate to the following categories of financial assets and liabilities:

	At 31 December		At 31
	2016	2017	March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets			
Loans and receivables:			
– Trade and other receivables	20,349	24,641	18,251
– Cash and bank balances	9,149	8,355	23,858
	<u>29,498</u>	<u>32,996</u>	<u>42,109</u>
	At 31 December	At 31	
	2016	2017	March
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial liabilities			
At amortised cost:			
– Trade and other payables	5,781	5,403	8,191
– Amount due to a director	5,514	8,073	–
– Amount due to a related party	1,200	1,200	1,200
	<u>12,495</u>	<u>14,676</u>	<u>9,391</u>

22.2 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The exposure to interest rate risk for the Group bank balances is considered immaterial.

22.3 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations. The Group's maximum exposure to credit risk on recognised financial assets and contract assets is limited to the carrying amount at end of each reporting period.

In respect of trade and other receivables and contract assets, individual credit evaluations are performed on all customers and counterparties. These evaluations focus on the counterparty's financial position, past history of making payments and take into account information specific to the counterparty as well as pertaining to the economic environment in which the counterparty operates. Monitoring procedures have been implemented to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivable and contract asset balance at the end of each reporting period to ensure adequate impairment losses are made for irrecoverable amounts.

At 31 December 2016 and 2017 and 31 March 2018, the Group has concentration of credit risk as 18% and 38%, 14% and 30%, and 5% and 32%, of the total trade and other receivables (Note 22.1) were due from the Group's largest trade debtor and five largest trade debtors respectively. The aggregate amounts of trade and other receivables from these trade debtors amounted to HK\$3,741,000 and HK\$7,740,000, HK\$3,551,000 and HK\$7,443,000, and HK\$925,000 and HK\$5,781,000 of the Group's total trade and other receivables at 31 December 2016 and 2017 and 31 March 2018 respectively.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Internal credit rating, actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations, actual or expected significant changes in the operating results of the borrower and significant changes in the expected performance and behavior of the borrower including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower are indicators to be incorporated.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical elements and forward looking elements.

(i) Trade receivables and contract assets

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables and contract assets.

Assessed lifetime expected credit loss rate of contract assets and trade receivables is close to be zero as there are no recent history of default and continuous payment received. Based on historical and forward looking elements of the Group, it was determined that no loss allowance provision is necessary in respect of these balances as there has not been a significant change in credit quality of the customers.

(ii) Other receivables

As at 31 December 2016 and 2017 and 31 March 2018, the Group expects that the credit risk associated with other receivables is considered to be low, since the majority of these balances is due from government authorities having a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the expected credit losses for these receivables are not material under the 12 months expected losses method. Thus no loss allowance provision was recognised during the Track Record Period.

22.4 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables, amount due to a director and amount due to a related party, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Management monitors the cash flow forecasts of the Group in meeting its liabilities.

As at 31 December 2016 and 2017 and 31 March 2018, the Group's remaining contractual maturities for its financial liabilities will be either on demand or within one year. The carrying amounts of its financial liabilities approximate their contractual undiscounted cash flows.

22.5 Fair value measurement

The carrying amounts of the Group's financial assets and liabilities are not materially different from their fair values at the end of each of the Track Record Period due to their short maturities.

23. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to maintain capital structure in order to minimise the costs of capital, support its business and maximise shareholders' value.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the debt to equity ratio. For this purpose, debt is defined as borrowings net of cash and bank balance. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, share buyback, issue new shares and raise new debts.

As at 31 December 2016 and 2017 and 31 March 2018, the debt to equity ratio was not presented as the Group had no borrowings.

24. MAJOR NON-CASH TRANSACTIONS

- (a) During the years ended 31 December 2016 and 2017, dividends of HK\$12,994,000 and HK\$13,353,000 were declared to the then shareholder, Mr. Cheung Kwan Tar, respectively, in which HK\$4,314,000 and HK\$3,759,000 were settled through current account with him respectively. As at 31 December 2017, the current account with Mr. Cheung Kwan Tar was HK\$8,073,000, resulted from the aforesaid settlement of dividends through current account with him, in which HK\$3,073,000 were subsequently settled and paid during the three months ended 31 March 2018.
- (b) During the three months ended 31 March 2018, the share capital of Mannings was increased by HK\$4,999,900 by capitalising HK\$4,999,900 of amounts due to the then shareholder.

25. RECONCILIATIONS OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities for the years ended 31 December 2016 and 2017 and the three months ended 31 March 2018, are as follows:

	Amount due to a director HK\$'000	Dividend payables HK\$'000	Total HK\$'000
As at 1 January 2016	1,200	–	1,200
Dividends recognised as a distribution	–	12,994	12,994
Non-cash transactions (<i>Note 24(a)</i>)	4,314	(4,314)	–
Cash flows from financing activities:			
Dividends paid	–	(8,680)	(8,680)
As at 31 December 2016 and 1 January 2017	5,514	–	5,514
Dividends recognised as a distribution	–	13,353	13,353
Non-cash transactions (<i>Note 24(a)</i>)	3,759	(3,759)	–
Cash flows from financing activities:			
Dividends paid	–	(9,594)	(9,594)
Cash flows from operating activities:			
Decrease in amount due to a director	(1,200)	–	(1,200)
As at 31 December 2017 and 1 January 2018	8,073	–	8,073
Non-cash transactions (<i>Note 24(b)</i>)	(5,000)	–	(5,000)
Cash flows from financing activities:			
Dividends paid	(3,073)	–	(3,073)
As at 31 March 2018	–	–	–
Unaudited:			
As at 1 January 2017	5,514	–	5,514
Cash flows from financing activities	–	–	–
As at 31 March 2017	5,514	–	5,514

III. EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 31 March 2018:

- (a) The companies comprising the Group underwent and completed the Reorganisation in preparation for the listing of the Company's shares on the GEM of the Stock Exchange. Further details of the Reorganisation are set out in the section headed "History, Reorganisation and Corporate Structure – Reorganisation" in the Prospectus. Upon completion of the Reorganisation on 10 August 2018, the Company became the holding Company of the Group.

IV. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by the Company or its subsidiaries in respect of any period subsequent to 31 March 2018.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report on the Historical Financial Information of the Group for each of the years ended 31 December 2016 and 2017 and the three months ended 31 March 2018 prepared by Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, the reporting accountants of our Company, as set forth in Appendix I of this prospectus (the "Accountants' Report"), and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I of this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED COMBINED NET TANGIBLE ASSETS

The following is an illustrative unaudited pro forma statement of adjusted combined net tangible assets of the Group which has been prepared in accordance with paragraph 7.31 of the GEM Listing Rules for the purpose of illustrating the effect of the Share Offer on the audited combined net tangible assets of the Group attributable to equity holders of the Company as at 31 March 2018, as if the Share Offer had taken place on 31 March 2018.

The unaudited pro forma statement of adjusted combined 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 attributable to equity holders of the Company had the Share Offer been completed as at 31 March 2018 or at any future dates. It is prepared based on the audited combined net tangible assets of the Group attributable to equity holders of the Company as at 31 March 2018 as set out in the Accountants' Report in Appendix I to this Prospectus, and adjusted as described below.

	Audited combined net tangible assets of the Group attributable to equity holders of the Company as at 31 March 2018 HK\$'000 (Note 1)	Estimated net proceeds from the Share Offer HK\$'000 (Note 2)	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to equity holders of the Company HK\$'000	Unaudited pro forma adjusted combined net tangible assets of the Group attributable to equity holders of the Company per Share HK\$ (Note 3)
Based on the Offer Price of HK\$0.30 per Share	<u>40,515</u>	<u>38,921</u>	<u>79,436</u>	<u>0.10</u>
Based on the Offer Price of HK\$0.40 per Share	<u>40,515</u>	<u>58,521</u>	<u>99,036</u>	<u>0.12</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Notes:

- (1) The audited combined net tangible assets of the Group attributable to equity holders of the Company as at 31 March 2018 is extracted from the Accountants' Report set out in Appendix I to this prospectus, which is based on the audited combined net tangible assets of the Group attributable to the equity holders of the Company as at 31 March 2018 amounting to approximately HK\$40,515,000.
- (2) The estimated net proceeds from the Share Offer are based on 200,000,000 Offer Shares at the Offer Price of HK\$0.30 and HK\$0.40 per Share, being low-end and high-end of the indicative range of the Offer Price, respectively, after deduction of the estimated underwriting fees and other listing expenses expected to be incurred by the Group subsequent to 31 March 2018.
- (3) The unaudited pro forma adjusted combined net tangible assets of the Group attributable to equity holders of the Company as at 31 March 2018 per Share is calculated based on 800,000,000 Shares, being the number of Shares expected to be in issue immediately following the Capitalisation Issue and the Share Offer had it been completed on 31 March 2018. It does not take into account of any Shares which may be granted and issued by the Company pursuant to the exercise of the Offer Size Adjustment Option or the Share Option Scheme.
- (4) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets of the Group attributable to equity holders of the Company as at 31 March 2018 to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2018.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of the assurance report received from Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION



29 August 2018

TO THE DIRECTORS OF BOLTEK HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Boltek Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted combined net tangible assets as at 31 March 2018 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 29 August 2018 (the “Prospectus”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Share Offer (as defined in the Prospectus) on the Group's financial position as at 31 March 2018 as if the Share Offer had taken place at 31 March 2018. As part of this process, information about the Group's financial position as at 31 March 2018 has been extracted by the Directors from the Group's historical financial information included in the Accountants' Report as set out in Appendix I to the Prospectus.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 7.31 of the GEM 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 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 the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 March 2018 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 unaudited 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 accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

Chan Tze Kit

Practising Certificate No.: P05707

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 18 April 2018 under the Cayman Companies Law. The Company's constitutional documents consist of the Memorandum and the Articles.

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 20 August 2018. A summary of certain provisions of the Articles is set out below.

(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 Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall *mutatis mutandis* apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a member being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value

of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may, by an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; and (g) change the currency of denomination of its share capital.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register. Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any, code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors**(i) Appointment, retirement and removal**

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgment of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

- (aa) resign;
- (bb) dies;
- (cc) is declared to be of unsound mind and the Board resolves that his office be vacated;
- (dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) he is prohibited from being or ceases to be a director by operation of law;
- (ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;
- (gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or
- (hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(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 uncalled capital of the Company and, subject to the Cayman Companies Law, to

issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make 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 former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary

relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

- (aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (ee) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(ix) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(d) Meetings of member

(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 by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

- (A) at least two members;
- (B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Requisition of general meetings

Extraordinary general meetings may be convened on the requisition of one or more members holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(v) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be

deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(vi) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vii) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as

such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(e) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to members who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the

Relevant Territory, and must be sent to those members that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The members may, at a general meeting remove the auditor(s) by a special resolution at any time before the expiration of the term of office of the auditor(s) and shall, by an ordinary resolution, at that meeting appoint new auditor(s) in place of the removed auditor(s) for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(f) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and
- (iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANY LAW

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(g) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(h) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(i) 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, the surplus assets remaining after payment to all creditors shall be divided among the members in proportion to the capital paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the surplus assets available for distribution among the members are insufficient to repay the whole of the paid-up capital, such assets shall be distributed, subject to the rights of any shares which may be issued on special terms and conditions, so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in

specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(j) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 18 April 2018 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the

company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, 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.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so 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 member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may

not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, a company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet that:

- (i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciations shall apply to the Company or its operations; and
- (ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company; or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in the Tax Concessions Law (2018 Revision).

The undertaking for the Company is for a period of 20 years from 25 April 2018.

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.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2013 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s). The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after

the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(s) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

FURTHER INFORMATION ABOUT OUR COMPANY AND ITS SUBSIDIARIES**1. Incorporation of our Company**

Our Company was incorporated as an exempted company in the Cayman Islands with limited liability under the Companies Law on 18 April 2018. Our Company has established a principal place of business in Hong Kong at 5/F, Winning Commercial Building, 46-48 Hillwood Road, Tsim Sha Tsui, Kowloon, Hong Kong and was registered as a registered non-Hong Kong company under Part 16 of the Companies Ordinance on 8 May 2018. In connection with such registration, Mr. Cheung of 9/F, 11 Celestial Avenue, Celestial Heights, 80 Sheung Shing Street, Ho Man Tin, Kowloon, Hong Kong and Mr. Yu Chun Kit of Room 2916, 29/F, Shui Lam House, Tin Shui Estate, Tin Shui Wai, Yuen Long, New Territories, Hong Kong have been appointed as the authorised representatives of our Company for acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, its operations are subject to the Companies Law and its constitution, which comprises of the Memorandum and the Articles. A summary of certain provisions of its constitution and relevant aspects of the Companies Law is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation, our Company had an initial authorised share capital of HK\$100,000 divided into 10,000,000 ordinary shares with par value of HK\$0.01 each. On 18 April 2018, one nil-paid subscriber Share was allotted and issued to the initial subscriber to the Memorandum and Articles of Association of our Company, which was subsequently transferred to Waywin Investment on the same date.
- (b) On 10 August 2018, our Company acquired 1,420 ordinary shares, 196 ordinary shares, 192 ordinary shares and 192 ordinary shares of par value US\$1.00 each of Richness Universal, representing all of its issued shares in aggregate, from Mr. Cheung, Mr. Cheng, Polar Lights and Twinkle Galaxy, respectively, and in consideration thereof, (i) the one nil-paid Share held by Waywin Investment was credited as fully paid (at the direction of Mr. Cheung); and (ii) our Company issued and allotted 1,419 Shares, 196 Shares, 192 Shares and 192 Shares, all credited as fully-paid, to Waywin Investment (at the direction of Mr. Cheung), Mr. Cheng, Polar Lights and Twinkle Galaxy, respectively;
- (c) Pursuant to the resolutions in writing of the Shareholders passed on 20 August 2018, the authorised share capital of our Company was increased from HK\$100,000 divided into 10,000,000 ordinary shares of par value HK\$0.01 each to HK\$ 15,000,000 divided into 1,500,000,000 ordinary shares of par value HK\$0.01 each, by the creation of additional 1,490,000,000 shares.
- (d) Immediately following completion of the Capitalisation Issue and the Share Offer (but without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option or options which

may be granted under the Share Option Scheme), the authorised share capital of our Company will be HK\$15,000,000 divided into 1,500,000,000 Shares and the issued share capital of our Company will be HK\$8,000,000 divided into 800,000,000 Shares fully paid or credited as fully paid, and 700,000,000 Shares will remain unissued.

Save as disclosed in this prospectus, there has been no alteration in our Company's share capital since its incorporation.

3. Resolutions in writing of the Shareholders passed on 20 August 2018

Pursuant to the resolutions in writing passed by the Shareholders on 20 August 2018, among other matters:

- (a) our Company approved and adopted the Memorandum and the Articles;
- (b) our Company increased its authorised share capital from HK\$100,000 divided into 10,000,000 ordinary shares of par value of HK\$0.01 each to HK\$15,000,000 divided into 1,500,000,000 ordinary shares of par value HK\$0.01 each by the creation of 1,490,000,000 additional ordinary shares of par value HK\$0.01 each, each ranking *pari passu* in all respects with the Shares in issue at the date of passing of these resolutions;
- (c) conditional on (i) the Listing Division of the Stock Exchange granting the approval for the listing of, and permission to deal in, the Shares in issue and to be issued (pursuant to the Share Offer, the Capitalisation Issue and the exercise of the Offer Size Adjustment Option and options which may be granted under the Share Option Scheme); (ii) the Price Determination Agreement having been executed by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company and becoming effective on the Price Determination Date; and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including the waiver of any condition(s) by the Joint Bookrunners (for themselves and on behalf of the Underwriters)) and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is the 30th day after the date of this prospectus:
 - (i) the Share Offer and the Offer Size Adjustment Option were approved and our Directors were authorised to effect the same and to allot and issue Offer Shares pursuant to the Share Offer and the Offer Size Adjustment Option;
 - (ii) conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares by our Company pursuant to the Share Offer, our Directors were authorised to capitalise the sum of HK\$5,999,980 (or any amount any one Director may determine) standing to the credit of the share premium

account of our Company by applying such sum in paying up in full at par 599,998,000 (or any such number of Shares any one Director may determine) Shares for allotment and issue to the Shareholder(s) whose name(s) appear on the register of members or the principal share register of our Company at the close of business on 20 August 2018 (or as each of them 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 respective shareholdings in our Company, and the Shares allotted and issued shall rank *pari passu* in all respects with the then existing issued Shares;

- (iii) a general unconditional mandate was granted to our Directors to allot, issue and deal with (otherwise than by way of rights issue, scrip dividend schemes or similar arrangements in accordance with the articles of association of the Company, the exercise of the Offer Size Adjustment Option or pursuant to the exercise of any options which have been or may be granted under the Share Option Scheme, or under the Share Offer or the Capitalisation Issue) Shares or securities convertible into Shares with a total number of not exceeding the sum of (aa) 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the exercise of any options which may be granted under the Share Option Scheme); and (bb) the total number of Shares which may be purchased by our Company pursuant to the authority granted to our Directors as mentioned in paragraph (iv) below;

This general mandate to issue Shares will remain in effect until:

- (aa) the conclusion of the next annual general meeting of our Company;
- (bb) the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held; or
- (cc) revoked or varied by an ordinary resolution of our Shareholders at a general meeting of our Company,

whichever occurs first;

- (iv) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase on GEM the Shares with an aggregate nominal value not exceeding 10% of the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (excluding any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option and options which may be granted under the Share Option Scheme).

This general mandate to repurchase Shares will remain in effect until:

- (aa) the conclusion of the next annual general meeting of our Company;
- (bb) the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held; or
- (cc) revoked or varied by an ordinary resolution of our Shareholders at a general meeting of our Company;

whichever occurs first.

- (v) the rules of the Share Option Scheme, the principal terms of which are set forth in the paragraph headed “12. Share Option Scheme” in this appendix, were approved and adopted with effect from the Share Offer and our Directors were authorised, at their absolute discretion but subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of the options granted under the Share Option Scheme and to take all such actions as may be necessary and/or desirable to implement and give effect to the Share Option Scheme.

4. Group reorganisation

The companies comprising our Group underwent a reorganisation to rationalise our Group’s structure in preparation for the Listing. Please see the section headed “History, Reorganisation and Corporate Structure – Reorganisation” for further details.

5. Changes in share capital of subsidiaries

Our Company’s subsidiaries are referred to in note 1 to the Accountants’ Report, the text of which is set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountants’ Report, we do not have any other subsidiaries. Save as disclosed in the section headed “History, Reorganisation and Corporate Structure”, there have been no changes in the share capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchase of our own securities

(a) *Provisions of the GEM Listing Rules*

The GEM Listing Rules permit companies whose primary listing are on GEM to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) *Shareholders' approval*

All proposed repurchase of shares, which must be fully paid up in the case of shares, by a company with a primary listing on GEM must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Note: Pursuant to the resolutions in writing of the Shareholders passed on 20 August 2018, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on GEM, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (but excluding any Shares to be issued upon exercise of the Offer Size Adjustment Option or options which may be granted under the Share Option Scheme), and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles or any applicable law to be held, or the date when the Repurchase Mandate is revoked or varied by an ordinary resolution of our shareholders in a general meeting.

(ii) *Trading restrictions*

Our Company is authorised to repurchase on GEM up to a maximum of 10% of the total number of Shares in issue. Our Company may not issue or announce an issue of new securities for a period of 30 days immediately following a repurchase (except pursuant to the exercise of warrants, share options or similar instruments requiring our company to issue securities which were outstanding prior to the repurchase) without the prior approval of the Stock Exchange. Our Company is also prohibited from making securities repurchase on the Stock Exchange if the repurchases would result in the number of the listed securities which are in hands of the public falling below the relevant prescribed minimum percentage for that company as required by the Stock Exchange. Our Company is required to procure that the broker appointed by it to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. In addition, as required by the prevailing requirements of the GEM Listing Rules, our Company shall not purchase its Shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding business days on which its Shares were traded on the Stock Exchange.

(iii) Status of repurchased securities

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed. Under the Cayman Islands law, a company's repurchased shares if not held by the company as treasury shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly, although the authorised share capital of the company will not be reduced.

(iv) Suspension of repurchase

Our Company may not repurchase its securities on the Stock Exchange at any time after inside information has come to our knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (1) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and (2) the deadline for publication of an announcement of its results for any year or half-year, or quarterly or any other interim period (whether or not required under the GEM Listing Rules), our Company may not repurchase its securities on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit repurchases of securities on the Stock Exchange if our Company has breached the GEM Listing Rules.

(v) Reporting requirements

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange no later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares (whether on the Stock Exchange or otherwise). The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases, where relevant, and confirmation that those purchases were made in accordance with the GEM Listing Rules or the domestic rules applying to purchases on that other stock exchange, and there have been no material changes to the particulars contained in the explanatory statement for repurchase of Shares. In addition, a company's annual report and accounts are required to include a monthly breakdown of securities repurchases made during the financial year under review, showing the number of securities repurchased each month (whether on the Stock Exchange or otherwise), the purchase price per Share or the highest and lowest prices paid for all such repurchases and the total prices paid. The directors' report is also required to contain reference to the purchases made during the year and the directors' reasons for making such purchases. Our Company shall make

arrangements with its brokers to ensure that they provide our Company in a timely manner the necessary information to enable our Company to make the report to the Stock Exchange.

(vi) Core connected persons

Our Company is prohibited from knowingly repurchasing the Shares on the Stock Exchange from a “core connected person” (as defined in the GEM Listing Rules), which by definition includes a Director, chief executive or substantial shareholder of our Company or any of its subsidiaries or any of their respective close associates, and a core connected person shall not knowingly sell Shares to our Company on the Stock Exchange.

(b) Exercise of the Repurchase Mandate

On the basis of 800,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer and taking no account of any Share to be issued pursuant to the exercise of the Offer Size Adjustment Option or options which may be granted under the Share Option Scheme, our Directors would be authorised under the Repurchase Mandate to repurchase up to 80,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid-up.

(c) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to receive general authority from our 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 assets and/or earnings per Share and will only be made if our Directors believe that such repurchases will benefit our Company and our Shareholders as a whole.

(d) Funding of repurchases

Any repurchase of securities by our Company must be funded out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the GEM Listing Rules. Our Company may not repurchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement of otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any repurchases by our Company may be made out of profits of our Company, out of the share premium account of our Company, or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorised by the Articles and subject to the Companies Law, out of capital and, in the case of any premium

payable on the repurchase, out of either or both of the profits of our Company or our Company's share premium account, before or at the time the Shares are repurchased or, if authorised by the Articles and subject to the Companies Law, out of capital.

There could be a material adverse impact on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus in the event that the Repurchase Mandate were to be exercised in full. 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.

(e) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the GEM Listing Rules) currently intends to sell any Shares to our Company or its subsidiaries if the Repurchase Mandate is exercised.

No core connected person (as defined in the GEM Listing Rules) has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

Our 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 GEM Listing Rules 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. Accordingly, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code) could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. 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.

Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than the prescribed percentage of the Shares then in issue may only be implemented with the approval of the Stock Exchange to waive the requirement regarding the public float under Rule 11.23(7) of the GEM Listing Rules. However, our Directors have no present intention to exercise the Repurchase Mandate to such an extent that, under the circumstances, there would be insufficient public float as prescribed under the GEM Listing Rules.

FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP**7. 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 capitalisation agreement dated 27 February 2018 entered into between Mr. Cheung and Mannings pursuant to which Mr. Cheung agreed to capitalise part of his shareholder's loan previously granted to Mannings in the amount of HK\$4,999,900.00 and Mannings agreed to issue and allot 4,999,900 new ordinary shares to Mr. Cheung;
- (b) the sale and purchase agreement dated 7 March 2018 entered into between Mr. Cheung as vendor and Richness Universal as purchaser pursuant to which Mr. Cheung transferred 5,000,000 shares of Mannings, representing all of its issued shares, at a consideration of HK\$17,453,948.99 and in return Richness Universal allotted and issued 901 new ordinary shares to Mr. Cheung, all credited as fully paid;
- (c) the Pre-IPO Subscription Agreements;
- (d) the sale and purchase agreement dated 10 August 2018 entered into between Mr. Cheung, Mr. Cheng, Polar Lights and Twinkle Galaxy, as vendors, and our Company, as purchaser, pursuant to which our Company acquired 1,420, 196, 192 and 192 ordinary shares of Richness Universal, representing all of its issued shares in aggregate, from Mr. Cheung, Mr. Cheng, Polar Lights and Twinkle Galaxy, respectively, and in consideration thereof, (i) the one nil-paid Share held by Waywin Investment was credited as fully paid (at the direction of Mr. Cheung); and (ii) our Company issued and allotted 1,419 Shares, 196 Shares, 192 Shares and 192 Shares, all credited as fully-paid, to Waywin Investment (at the direction of Mr. Cheung), Mr. Cheng, Polar Lights and Twinkle Galaxy, respectively;
- (e) the Deed of Indemnity;
- (f) the Deed of Non-competition; and
- (g) the Public Offer Underwriting Agreement.

8. Intellectual property rights of our Group

(a) Trademark

As at the Latest Practicable Date, we had applied for registration of the following trademark:

Trademark	Class(es)	Place of application	Application number	Date of Application
 MANNINGS (Asia) Consultants Limited	37, 42	Hong Kong	304501665	23 April 2018

(b) Domain names

As at the Latest Practicable Date, we had registered the following domain names:

Domain name	Registered owner	Registration date	Expiry date
boltekhholdings.com	Mannings	10 July 2018	10 July 2019
manningsasia.com	Mannings	24 October 2005	24 October 2020

FURTHER INFORMATION ABOUT OUR DIRECTORS, SUBSTANTIAL SHAREHOLDERS AND EXPERTS

9. Directors

(a) Particulars of Directors' service contracts

Each of our executive Directors has entered into a service contract with our Company on 20 August 2018. Each service contract is for an initial term of three years commencing from the Listing Date and may be terminated by not less than three months' written notice served by either party on the other. Our executive Directors, Mr. Cheung and Mr. Ng Pak Hung, are entitled to a fixed basic annual salary of HK\$2,400,000 and HK\$1,350,000 respectively for their services. Our Board shall have a complete discretion to grant any increase in the salary. Any increase so granted shall take effect from such date as our Board may specify. In addition, each of our executive Directors is entitled to a discretionary management bonus for the financial year ending 31 December 2018 and onwards as may be determined by our Board at its sole discretion. An executive Director may not vote on any resolution of our Directors regarding the amount of the management bonus payable to him/her.

Each of our independent non-executive Directors has signed an appointment letter with our Company on 20 August 2018. Each appointment letter is for an initial term of three years commencing from the Listing Date and may be terminated by not less than one month's written notice served by either party on the other. Each of our independent non-executive Directors is entitled to a fixed annual director's fee of HK\$120,000 for his services.

The service contracts and appointment letters are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the Articles and the GEM Listing Rules.

Save as aforesaid, none of our Directors has entered, or is proposed to enter, a service contract or an appointment letter 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)).

(b) Remuneration of Directors

- (i) The annual salaries of our executive Directors and the annual director's fees of our independent non-executive Directors are as follows:

Name	Annual amount (HK\$)
<i>Executive Directors</i>	
Mr. Cheung (張群達)	2,400,000
Mr. Ng Pak Hung (吳柏鴻)	1,350,000
<i>Independent non-executive Directors</i>	
Mr. Chan Yu Sum Sam (陳如森)	120,000
Mr. Chan Kai Kow Mackson (陳啟球)	120,000
Mr. Chan Wan Fung (陳雲峯)	120,000

- (ii) The aggregate of the remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses and other allowances and benefits in kind) paid to our Directors (excluding our independent non-executive Directors) for FY2016, FY2017 and the three months ended 31 March 2018 were approximately HK\$3,956,000, HK\$4,012,000 and HK\$989,000, respectively.
- (iii) Under the arrangements currently in force at the date of this prospectus, the aggregate of the remuneration (including benefits in kind but excluding discretionary bonus) payable by our Group to our Directors for the year ending 31 December 2018, is expected to be approximately HK\$3,912,000.
- (iv) No amount was paid to our Directors as an inducement to join or upon joining our Company for FY2016, FY2017 and the three months ended 31 March 2018.
- (v) No compensation was paid to our Directors for FY2016, FY2017 and the three months ended 31 March 2018 for the 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.

- (vi) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for FY2016, FY2017 and the three months ended 31 March 2018.

(c) *Interests and short positions of Directors in the Shares, underlying Shares or debentures of our Company and its associated corporations*

Immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be issued upon the exercise of the Offer Size Adjustment Option or options which may be granted under the Share Option scheme), the interests and short positions of our Directors or chief executive of our Company in the Shares, underlying Shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the GEM Listing Rules, to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

(i) *Long position in the Shares*

Name of Director	Capacity/Nature of interest	Number of Share(s)	Approximate percentage of shareholding
Mr. Cheung ⁽¹⁾	Interest in a controlled corporation	426,000,000	53.25%

Note:

- (1) Waywin Investment is wholly owned by Mr. Cheung. By virtue of the SFO, Mr. Cheung is deemed to be interested in the Shares held by Waywin Investment.

(ii) *Long position in the ordinary shares of associated corporation*

Name	Name of associated corporation	Capacity/ Nature of interest	Number of share(s)	Approximate percentage of shareholding
Mr. Cheung	Waywin Investment ⁽¹⁾	Beneficial owner	1	100.00%

Note:

- (1) Waywin Investment is the direct Shareholder of our Company and is an associated corporation within the meaning of Part XV of the SFO.

10. 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 pursuant to the exercise of the Offer Size Adjustment Option or options which may be granted under the Share Option Scheme), the following persons (other than our Directors or chief executive of our Company) will have interests or short positions in the Shares or the 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 will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries:

Name	Capacity	Number of Shares ⁽¹⁾	Approximate percentage of shareholding
Waywin Investment ⁽²⁾	Beneficial owner	426,000,000	53.25%
Ms. Chiu ⁽³⁾	Interest of spouse	426,000,000	53.25%
Mr. Cheng ⁽⁴⁾	Beneficial owner	58,800,000	7.35%
Polar Lights ⁽⁵⁾	Beneficial owner	57,600,000	7.20%
Mr. Wong ⁽⁵⁾	Interest in a controlled corporation	57,600,000	7.20%
Twinkle Galaxy ⁽⁶⁾	Beneficial owner	57,600,000	7.20%
Mr. Lam ⁽⁶⁾	Interest in a controlled corporation	57,600,000	7.20%

Notes:

- (1) All interests stated are long positions.
- (2) Waywin Investment is a direct Shareholder of our Company.
- (3) Ms. Chiu is the spouse of Mr. Cheung. Accordingly, Ms. Chiu is deemed or taken to be interested in the Shares Mr. Cheung is interested in under the SFO.
- (4) Mr. Cheng is a direct Shareholder of our Company.
- (5) Polar Lights is a direct Shareholder of our Company. The entire issued share capital of Polar Lights is legally and beneficially owned by Mr. Wong. By virtue of the SFO, Mr. Wong is deemed to be interested in the Shares held by Polar Lights.
- (6) Twinkle Galaxy is a direct Shareholder of our Company. The entire issued share capital of Twinkle Galaxy is legally and beneficially owned by Mr. Lam. By virtue of the SFO, Mr. Lam is deemed to be interested in the Shares held by Twinkle Galaxy.

11. Disclaimers

Save as disclosed in this prospectus:

- (a) taking no account of any Shares which may be taken up or acquired under the Share Offer or any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option or options which may be granted under the Share Option Scheme, our Directors are not aware of any person who will, immediately following completion of the Capitalisation Issue and the Share Offer, have an interest or short position in our 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, 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 member of our Group;
- (b) taking no account of any Shares to be issued upon exercise of the Offer Size Adjustment Option or options which may be granted under the Share Option Scheme, none of our Directors or chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the GEM Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on GEM;
- (c) none of the Directors or the experts named in the sub-paragraph headed “20. Qualifications and consents of experts” in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of the Directors or the experts named in the sub-paragraph headed “20. Qualifications and consents of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (e) none of the Directors or the experts named in the sub-paragraph headed “20. Qualifications and consents of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

- (f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the GEM Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

OTHER INFORMATION

12. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by our Board and the resolutions in writing of the Shareholders passed on 20 August 2018.

For the purpose of this section, the following expressions have the meanings set out below unless context otherwise requires:

“Adoption Date”	means 20 August 2018, the date on which the Share Option Scheme is conditionally adopted by our Company;
“Board”	means our Board from time to time or a duly authorised committee thereof;
“Eligible Employee”	means any employee (whether full time or part time employee, including any executive Director) of our Company, any of its subsidiaries and any Invested Entity;
“grantee”	means any Participant who accepts the offer of the grant of any option in accordance with the terms of the Share Option Scheme or (where the context so permits) a person entitled to any such option in consequence of the death of the original grantee or the legal representative of such person;
“Invested Entity”	means any entity in which our Group holds any equity interest;
“option”	means an option to subscribe for Shares granted pursuant to the Share Option Scheme and for the time being subsisting;

- “Participant” means any person belonging to any of the following classes of participants:
- (a) any Eligible Employee;
 - (b) any non-executive Director (including independent non-executive Director) of our Company, any of its subsidiaries or any Invested Entity;
 - (c) any supplier of goods or services to any member of our Group or any Invested Entity;
 - (d) any customer of any member of our Group or any Invested Entity;
 - (e) any person or entity that provides research, development or other technological support to any member of our Group or any Invested Entity;
 - (f) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity;
 - (g) any adviser (professional or otherwise) or consultant to any area of business or business development of any member of our Group or any Invested Entity; and
 - (h) any other group or classes of participants who have contributed or may contribute, by way of joint venture, business alliance, other business arrangement or otherwise, to the development and growth of our Group, and for the purposes of the Share Option Scheme, the option may be granted to any company wholly-owned by one or more persons belonging to any of the above classes of Participants or any discretionary object of a Participant which is a discretionary trust.

(a) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide incentives or rewards to Participants for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group and any Invested Entity. Given that our Board are entitled to determine the performance targets to be achieved as well as the minimum period that an option must be held before an option can be exercised on a case by case basis, and that the exercise price of an option cannot in any event fall below the price stipulated in the GEM

Listing Rules or such higher price as may be fixed by our Board, it is expected that grantees of an option will make an effort to contribute to the development of our Group so as to bring about an increased market price of the Shares in order to capitalise on the benefits of the options granted.

(b) Who may join

Subject to the GEM Listing Rules and the terms of the Share Option Scheme, our Board may, at its absolute discretion, invite any person belonging to any of the classes of Participants, who our Board considers, in its sole discretion, have contributed or will contribute to our Group, to take up options to subscribe for Shares.

For the purposes of the Share Option Scheme, the options may be granted to any company wholly-owned by one or more persons belonging to any of the classes of Participants. For the avoidance of doubt, the grant of any option by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of the classes of Participants shall not, by itself, unless our Board otherwise so determines, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the classes of Participants to the grant of any option shall be determined by our Board from time to time on the basis of our Board's opinion as to the Participant's contribution to the development and growth of our Group and any Invested Entity.

(c) Maximum number of Shares

- (i) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes must not, in aggregate, exceed 10% of the total number of the Shares in issue on the Listing Date, such 10% limit represents 80,000,000 Shares.
- (ii) Subject to sub-paragraph (iv) below and without prejudice to sub-paragraph (iii) below, our Company may refresh the 10% limit by seeking prior approval from the Shareholders in a general meeting, provided that the total number of Shares which may be issued upon exercise of all options to be granted under all of the schemes of our Company (or our subsidiaries) under the limit as refreshed must not in aggregate exceed 10% of the total number of Shares in issue as at the date of such Shareholders' approval of the limit. Options (including those outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes) previously granted under the Share Option Scheme or any other schemes of our Company will not be counted for the purpose of calculating the refreshed limit. Our Company must send a circular to its Shareholders containing the information required under Rule 23.02(2)(d) of the GEM Listing Rules and the disclaimer required under Rule 23.02(4) of the GEM Listing Rules.

- (iii) Subject to sub-paragraph (i) above and without prejudice to sub-paragraph (ii) above, our Company may also grant options beyond the 10% limit or, if applicable, the extended limit referred to in sub-paragraph (ii) above by seeking Shareholders' approval in a general meeting, provided that the Participants of such options must be specifically identified by our Company before such approval is sought. In such event, our Company shall send a circular to our Shareholders containing a generic description of the specified Participants who may be granted such options, the number and terms of such options to be granted, the purpose of granting such options, an explanation as to how the terms of the options serve such purpose and the information required under Rule 23.02(2)(d) of the GEM Listing Rules and disclaimer required under Rule 23.02(4) of the GEM Listing Rules.
- (iv) Notwithstanding the foregoing, our Company must not grant any option if the aggregate number of Shares, which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Company (or our subsidiaries), would exceed 30% of the total number of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other schemes of our Company (or our subsidiaries) if such grant will result in this 30% limit being exceeded.
- (v) The exercise of any options shall be subject to our Shareholders in general meeting approving any increase in the authorised share capital of our Company. Subject thereto, our Board shall make available sufficient authorised but unissued share capital of our Company for purpose of allotment of Shares upon exercise of the options.

(d) Maximum entitlement of each Participant

The total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Share Option Scheme and any other share option scheme of our Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of our Company for the time being (the “**Individual Limit**”). Any further grant of options to a participant in aggregate in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the issue of a circular to our Shareholders and our Shareholders' approval in general meeting of our Company with such participant and his close associates abstaining from voting. The number and terms (including the exercise price) of options to be granted to such participant must be fixed before Shareholders' approval and the date of board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under note (1) to Rule 23.03(9) of the GEM Listing Rules.

(e) Time of acceptance and exercise of an option

An option may be offered for acceptance for a period of 21 days from the date on which the letter containing the offer is delivered to that participant.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by our Board to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date of grant of the option subject to the provisions for early termination under the Share Option Scheme (the “**Option Period**”). Unless otherwise determined by our Board and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

(f) Performance targets

Unless our Board otherwise determines and states in the offer of the grant of options to a Participant, a grantee is not required to achieve any performance target before any option granted under the Share Option Scheme can be exercised.

(g) Subscription price for Shares and consideration for the option

The subscription price for the Shares in respect of any particular option shall, subject to any adjustment made pursuant to the terms of the Share Option Scheme, be such price as determined by our Board, but in any case shall not be less than the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of the grant of the option, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of the grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

For the purpose of determining the relevant subscription price where the Shares have been listed on GEM for less than five business days preceding the date of the grant of the option, the issue price of the Shares shall be deemed to be the closing price of the Shares for any business day falling within the period before the Shares are listed on GEM.

Upon acceptance of the grant of an option, the grantee shall pay HK\$1.00 to our Company as consideration for the grant.

(h) Ranking of Shares

- (i) Shares to be allotted and issued upon exercise of an option will be identical to the then existing issued shares of our Company and subject to all provisions of our Company’s articles of associations amended from time to time and will rank *pari passu* in all respects with the existing fully paid Shares in issue as from the day when the name of the grantee is registered

on the register of members of our Company (the “**Exercise Date**”) and accordingly will entitle the holder to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the Exercise Date, provided always that when the date of exercise of the option falls on a day upon which the register of members of our Company is closed then the exercise of the option shall become effective on the first business day in Hong Kong on which the register of members of our Company is reopened. Any Share allotted and issued upon exercise of an option shall not carry any voting right or rights to participate in any dividends or distributions (including those arising on a liquidation of our Company) declared or recommended or resolved to be paid to the Shareholders on the register until the completion of the registration of the grantee on the register of members of our Company as the holder thereof.

- (ii) Unless the context otherwise requires, references to “Shares” in this paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of our Company from time to time.

(i) Rights on ceasing employment

In the event of the grantee ceasing to be a Participant for any reason other than death, ill-health or retirement in accordance with his contract of employment or for serious misconduct or other grounds referred to in sub-paragraph (k) below before exercising his option in full, the option (to the extent which has become exercisable but not already exercised) will lapse on the date of cessation and will not be exercisable unless our Board otherwise determines in which event the grantee may exercise the option (to the extent not already exercised) in whole or in part within such period as our Board may determine following the date of such cessation, which will be taken to be the last day on which the grantee was physically at work with our Group or the relevant Invested Entity whether salary is paid in lieu of notice or not.

(j) Rights on death, ill-health or retirement

If a grantee is a Participant and ceases to be a Participant by reason of his death, ill-health or retirement in accordance with his contract of employment before exercising the options in full, the grantee’s legal personal representative(s), or, as appropriate, the grantee may exercise the options in whole or in part (to the extent that it has become exercisable and not already exercised) within a period of 12 months from the date of cessation which date shall be the last day on which the grantee was physically at work with our Group or the relevant Invested Entity whether salary is paid in lieu of notice or not or such longer period as the Board may determine.

(k) Rights on dismissal

If the grantee of an option is a Participant and ceases to be a Participant by reason that he has been guilty of serious misconduct or has committed any act of bankruptcy or has become insolvent or has made any arrangements or composition with his creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Board does not bring the grantee or our Group or the relevant Invested Entity into disrepute) or on any other ground on which an employer would be entitled to terminate his or her employment summarily, his option will lapse automatically and will not be exercisable on or after the date of ceasing to be a Participant.

(l) Rights on breach of contract

If our Board shall at their absolute discretion determine that (i)(1) the grantee of any option (other than an Eligible Employee) or his associate has committed any breach of any contract entered into between the grantee or his associate on the one part and our Group or any relevant Invested Entity on the other part; or (2) that the grantee has committed any act of bankruptcy or has become insolvent or is subject to any winding-up, liquidation or analogous proceedings or has made any arrangement or composition with his creditors generally; or (3) the grantee could no longer make any contribution to the growth and development of our Group by reason of the cessation of its relations with our Group or by other reason whatsoever; and (ii) the option granted to the grantee under the Share Option Scheme shall lapse as a result of any event specified in items (1), (2) or (3) in (i) above, his option will lapse automatically and will not be exercisable on or after the date on which our Board have so determined.

(m) Rights on general offer

In the event of a general or partial offer (whether by way of take-over offer, merger, share repurchase offer, or privatisation proposed by scheme of arrangement or otherwise in like manner), is made to all Shareholders, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert (as defined in the Takeovers Code) with the offeror, we shall use all reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the option granted to them, Shareholders. If such offer becomes or is declared unconditional or such scheme of arrangement is formally proposed to our Shareholders, the grantee shall, even though the Option Period has not yet commenced, be entitled to exercise the option (to the extent not already exercised) to its full extent or to the extent specified in the grantee's notice to us in exercise of the option at any time within 14 days after the date on which such offer becomes or is declared unconditional.

(n) Rights on a compromise or arrangement

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 may by notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given (such notice to be received by our Company not later than two business days prior to the proposed meeting), exercise the option to its full extent or to the extent specified in the notice and our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the grantee which falls to be issued on such exercise of the option credited as fully paid and register the grantee as holder thereof.

With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. If for any reason such compromise or arrangement does not become effective and is terminated or lapses, the rights of grantees to exercise their respective options shall with effect from such termination be restored in full but only upon the extent not already exercised and shall become exercisable.

(o) *Rights on winding up*

In the event a notice is given by our Company to the Shareholders to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, we shall on the same date as or soon after it dispatches such notice to each Shareholder give notice thereof to all grantees and thereupon, each grantee, subject to the provisions of all applicable laws (or where permitted under sub-paragraph (j) above, and such grantee's legal personal representative(s)) shall be entitled to exercise all or any of such grantee's options (to the extent which has become exercisable and not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to us, 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 we shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue the relevant Shares to the grantee credited as fully paid, which Shares shall rank *pari passu* with all other Shares in issue on the date prior to the passing of the resolution to wind-up our Company to participate in the distribution of assets of our Company available in liquidation. Subject thereto, all options then outstanding shall lapse and determine on the commencement of the winding-up of our Company.

(p) *Grantee being a company wholly owned by Participants*

If the grantee is a company wholly owned by one or more Participants: sub-paragraphs (i), (j), (k) and (q) shall apply to the grantee and to the options to such grantee, *mutatis mutandis*, as if such options had been granted to the relevant Participant, and such options shall accordingly lapse or fall to be exercisable after the

event(s) referred to in sub-paragraphs (i), (j), (k) and (q) shall occur with respect to the relevant Participant, and the options granted to the grantee shall lapse and determine on the date the grantee ceases to be wholly owned by the relevant Participant provided that our Board may in their absolute discretions decide that such options or any part thereof shall not so lapse or determine subject to such conditions or limitations as they may impose.

(q) Period of the Share Option Scheme

Subject to the termination of the Share Option Scheme, the Share Option Scheme will remain in force for a period of 10 years commencing on the Adoption Date.

(r) Lapse of option

An option shall lapse automatically and shall cease to be exercisable (to the extent not already exercised) on the earliest of:

- (i) the expiry of the Option Period referred to in sub-paragraph (e);
- (ii) the date or the expiry of the periods or dates referred to in sub-paragraphs (i), (j), (k), (m), (n) (o) and (q);
- (iii) the date on which the scheme of arrangement of our Company referred to in sub-paragraph (n) becomes effective;
- (iv) subject to sub-paragraph (o), the date of commencement of the winding-up of our Company;
- (v) the date on which the grantee (being an Eligible Employee) ceases to be a Participant by reason of the termination of his or her employment or engagement on the grounds that he or she has been guilty of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his or her debts or has become bankrupt or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or on any other ground on which an employer would be entitled to terminate his or her employment summarily at common law or pursuant to any applicable laws or under the grantee's service contract with our Group or the relevant Invested Entity. A resolution of our Board or the board of directors of the relevant subsidiary or the board of directors of the relevant Invested Entity to the effect that employment of a grantee has or has not been terminated on one or more of the grounds specified in this paragraph shall be conclusive and binding on the grantee;
- (vi) the date on which the grantee commits a breach of sub-paragraph (v) below;
- (vii) the date on which the options are cancelled in accordance with sub-paragraph (t) below.

(viii) the date on which the grantee joins a company which the Board believes in its sole and reasonable opinion to be a competitor of our Company;

(ix) unless our Board otherwise determines, and other than in the circumstances referred to in sub-paragraphs (i) or (j), the date the grantee ceases to be a Participant (as determined by a Board resolution) for any other reason.

(s) Adjustment of the subscription price or the number of Shares

In the event of any adjustment of the subscription price or the number of Shares of our Company whilst any option remains exercisable, whether by way of capitalisation issue, rights issue, consolidation or subdivision of Shares or reduction of the share capital of our Company, such corresponding adjustments (if any) certified or confirmed by the auditors for the time being of or an independent financial advisor to our Company as fair and reasonable shall be made to:

- (i) the number of Shares to which the Share Option Scheme or any option relates subject to the option so far as unexercised; and/or
- (ii) the subscription price; and/or
- (iii) the method of exercise of the option,

provided that, (1) any adjustment shall be made on the basis that the proportion of the issued share capital of our Company to which a grantee is entitled after such alteration shall remain the same as that to which such grantee was entitled to before such alteration and that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as close as possible (but shall not be greater than) as it was before such event; (2) no such adjustment shall be made the effect of which would be to enable any Share to be issued at less than its nominal value; and (3) no such adjustment will be required in circumstances where there is an issue of Shares or other securities of our Group for cash or as consideration in a transaction. In addition, in respect of any such adjustment, other than any adjustment made on a capitalisation issue, our Company's auditors or independent financial advisor must confirm to our Board in writing that the adjustment satisfies the requirements of the relevant provisions of the GEM Listing Rules and such other applicable guidance and/or interpretation of the GEM Listing Rules from time to time issued by the Stock Exchange (including, but not limited to, the "Supplementary Guidance on GEM Listing Rule 23.03(13) and the Note immediately after the Rule" attached to the letter from the Stock Exchange dated 5 September 2005 to all issuers relating to share option schemes).

The capacity of our Company's auditors and independent financial advisers is that of experts and not of arbitrators and their certification, in the absence of manifest error, shall be final and binding on our Company and the grantee. The costs of our independent financial advisers and the auditors shall be borne by our Company.

(t) Cancellation of options granted

Any cancellation of options granted but not exercised must be subject to the prior written consent of the relevant grantee. For the avoidance of doubt, such approval is not required in the event any option is cancelled pursuant to paragraph (k).

When our Company cancels any option granted to a grantee but not exercised and issues new options to the same grantee, the issue of such new options may only be made with available unissued options (excluding the options so cancelled) within the 10% Limit or the refreshed limits approved by our Shareholders pursuant to sub-paragraph (c) above.

(u) Termination of the Share Option Scheme

Our Company by ordinary resolution in general meeting, or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered. On termination, the provision of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of the options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Share Option Scheme. Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Share Option Scheme.

(v) Rights are personal to the grantees

An option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favor of or enter into any agreement with any other person over or in relation to any option, except for the transmission of an option on the death of the grantee to his personal representative(s) on the terms of this Share Option Scheme. Where the grantee is a company, any change of its major shareholder or any substantial change in its management as determined by our Board in its sole discretion will be deemed to be a sale or transfer of the option as aforesaid, if so determined by our Board at its sole discretion. Any breach of the foregoing by the grantee shall entitle our Company to cancel any outstanding option or part thereof granted to such grantee (to the extent not already exercised) without incurring any liability on our Company.

(w) Alteration of the Share Option Scheme

The terms and conditions of the Share Option Scheme relating to the matters set out in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of Participants without the prior approval of our Shareholders in a general meeting.

Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by our Shareholders in a general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

Any change to the authority of our Board or the scheme administrators in relation to any alteration to the terms of the Share Option Scheme shall be approved by our Shareholders in a general meeting.

The amended terms and conditions of the Share Option Scheme or options must still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules and no such alteration shall operate to affect adversely the terms of any option granted or agreed to be granted prior to such alteration except with the consent or sanction in writing of such number of grantees as shall together hold options in respect of not less than three-fourths in nominal value of all Shares then subject to options granted under the Share Option Scheme and provided further that any alterations to the terms and conditions of the Share Option Scheme which are of a material nature shall first be approved by the Stock Exchange.

Our Company must provide to all grantees all details relating to changes in the terms and conditions of the Share Option Scheme during the life of the Share Option Scheme immediately upon such changes taking effect.

(x) Granting of options to a Director, chief executive of our Company or substantial shareholder or any of their associates

Where options are proposed to be granted to a Director, chief executive of our Company or substantial shareholder, or any of their respective associates, the proposed grant must comply with the requirements of Rule 23.04(1) of the GEM Listing Rules and be approved by the independent nonexecutive Directors (excluding any independent non-executive Director who is the proposed grantee of the options).

If a grant of options to a substantial shareholder or an independent non-executive Director or any of their respective associates would result in the Shares issued and to be issued upon exercise of all options granted and to be granted (including exercised, cancelled or outstanding options) 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 higher percentage as may from time to time be specified by the Stock Exchange) of the relevant class of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the Shares on the date of each grant, in excess of HK\$5.0 million (or such other higher percentage as may from time to time be specified by the Stock Exchange),

such further grant of options must be approved by our Shareholders in a general meeting. Our Company must send a circular to our Shareholders containing all the information required under Rule 23.04(3) of the GEM Listing Rules no later than the date on which our Company gives notice of the general meeting to approve the Share Option Scheme. At such general meeting, the proposed grantee, the grantee's associates and all core connected persons of our Company must abstain

from voting, unless they intend to vote against such further grant and provided that such intention to do so has been stated in the circular. Any vote taken at the general meeting to approve the grant of such options must be taken on a poll.

In addition, any change in the terms of the options granted to a substantial shareholder or an independent non-executive Director, or any of their respective associates must also be approved by our Shareholders in a general meeting.

The requirements for the grant of an option to a Director or chief executive of our Company set out in Rules 23.04(1), (2) and (3) of the GEM Listing Rules shall not apply where the proposed grantee is only a proposed Director or proposed chief executive of our Company.

(y) Restrictions on the time of grant of options

No offer of grant of options shall be made after any inside information has come to our Company's knowledge until an announcement of such inside information has been published in accordance with the GEM Listing Rules and/or Part XIVA of the SFO. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:

- (vi) the date of our Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for approval of the results of our Company for any year, half-year or quarterly period (if applicable) or any other interim period (whether or not required under the GEM Listing Rules); and
- (vii) the deadline for our Company to publish an announcement of the results for any year, half-year or quarterly (if applicable) or any other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the announcement of the results.

The period during which no options may be granted will cover any period of delay in the publication of a results announcement. Our Board may not grant any option to a Participant who is a Director during the periods or times in which such Director is prohibited from dealing in the Shares prescribed by the Model Code for Securities Transactions by Directors of Listed Issuers of the GEM Listing Rules or any corresponding codes or securities dealing restrictions adopted by our Company.

(z) *Others*

(i) Conditions of the Share Option Scheme

The Share Option Scheme is conditional upon (i) the Stock Exchange granting approval for the listing of and permission to deal in the Shares which fall to be issued upon exercise of the options granted under the Share Option Scheme, such number representing the 10% limit mentioned in sub-paragraph (c)(i) above; and (ii) the commencement of dealings in the Shares on GEM.

(ii) 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 GEM Listing Rules in force from time to time.

(iii) Present status of the Share Option Scheme

As at the Latest Practicable Date, no options had been granted or agreed to be granted by our Company under the Share Option Scheme.

Application has been made to the Stock Exchange for the approval of the Share Option Scheme, the subsequent granting of options under the Share Option Scheme and the approval for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

(iv) Value of options

Our Board consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of a certain option pricing model or other method that depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of option. Our Board believe that any calculation of the value of options granted as at the Latest Practicable Date would be based on a number of speculative assumptions that are not meaningful and would be misleading to investors.

(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.

13. Tax and other indemnities

Mr. Cheung and Waywin Investment (collectively the “**Indemnifiers**”) have entered into the Deed of Indemnity, on a joint and several basis, to provide indemnities to our Company for itself and as trustee for its subsidiaries in connection with, among other things:

- (a) any liability for Hong Kong estate duty which might be incurred by any member of our Group by reason of the death of any person and by reason of any transfer of any 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 Date;
- (b) taxation falling on any member of our Group resulting from or by reference to any income, profits, gains, transactions, events, matters or things earned, accrued, received or entered into (or deemed to be so earned, accrued, received or entered into) on or before the Listing Date or any event or transaction on or before the Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company;
- (c) all reasonable costs (including all legal costs), expenses, interests, penalties or other liabilities which any member of our Group may properly incur at any time on or before the Listing Date in connection with:
 - (i) the investigation, assessment or contesting of any claim under (b) above;
 - (ii) the settlement of any claim under the Deed of Indemnity;
 - (iii) any legal or arbitration proceedings in which any member of our Group claims under or in respect of the Deed of Indemnity and in which judgement, award or decision is given in favour of any member of our Group; or
 - (iv) the enforcement of any such settlement or decision or judgement or award;
- (d) any and all losses, claims, actions, demands, liabilities, damages, costs, expenses, penalties, fines and of whatever nature suffered or incurred by any member of our Group, directly or indirectly, as a result of or in connection with any violations or breaches or non-compliance of any laws, rules or regulations and/or all litigations, arbitrations, claims, complaints, demands and/or legal proceedings by or against any of the member of our Group in Hong Kong, the PRC, the Cayman Islands, BVI or any other part of the world, which was issued, accrued and/or arising from any act of any of the member of our Group at any time on or before the Listing Date, including but not limited to our Group’s non-compliance matters which occurred during the Track Record Period.

The Indemnifiers will, however, not be liable under the Deed of Indemnity for any taxation, liabilities or claims mentioned in the four paragraphs immediately above where:

- (a) to the extent that provision has been made for such taxation, liabilities or claims in the audited accounts of any member of our Group up to 31 March 2018;
- (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 January 2018 and ending on the Listing Date, unless such taxation or liability would not have arisen but for some act, omission 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) with the prior written consent or agreement of the Indemnifiers, 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 before the Listing Date; or
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created before the Listing Date or pursuant to any statement of intention made in this prospectus;
- (c) to the extent that such taxation, liabilities or claims arise or are incurred as a result of the imposition of taxation or 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 coming into force after the Listing Date or to the extent such claim arises or is increased by an increase in rates of taxation after the Listing Date with retrospective effect;
- (d) to the extent that such taxation or liability is discharged prior to the Listing Date by another person who is not a member of our Group and that none of the members of our Group is required to reimburse such person in respect of the discharge of the taxation or liability; or
- (e) to the extent that any provision or reserve referred to in sub-paragraph (a) immediately above which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of such 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 Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

14. Litigation

As at the Latest Practicable Date, save as disclosed in the section headed “Business – Litigation and claims”, neither our Company nor any of its subsidiaries was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened against our Company or any of its subsidiaries.

15. Agency fees or commissions received

Save as disclosed in the sections headed “Underwriting – Commission and expenses”, and “History, Reorganisation and Corporate Structure – Pre-IPO Investments”, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

16. Sponsor

The Sponsor has made an application for and on behalf of our Company to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, including the Offer Shares and any Shares which may fall to be allotted and issued pursuant to (a) the Capitalisation Issue; (b) the exercise of the Offer Size Adjustment Option; and (c) the exercise of the options which may be granted under the Share Option Scheme. The Sponsor is entitled to sponsor’s fee in the amount of HK\$5.3 million.

The Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 6A.07 of the GEM Listing Rules.

17. Compliance adviser

In accordance with the requirements of the GEM Listing Rules, our Company has appointed Grande Capital Limited as its compliance adviser to provide consultancy services to our Company to ensure compliance with the GEM Listing Rules for a period commencing on the Listing Date and ending on the date on which our Company complies with Rule 18.03 of the GEM Listing Rules in respect of its financial results for the second full financial year ending 31 December 2020.

18. Preliminary expenses

The preliminary expenses relating to the incorporation of our Company are approximately USD6,900 (equivalent to approximately HK\$53,820) and are payable by our Company.

19. Promoters

Our Company has no promoter. Within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits have been paid, allotted or given, or proposed to be paid, allotted or given, to any promoter in connection with the Share Offer or the related transactions described in this prospectus.

20. Qualifications and consents of experts

The following are the qualifications of the experts who have given opinions or advice (as the case may be) which are contained in this prospectus:

Name	Qualification
Kingsway Capital Limited	A licensed corporation for carrying on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Grant Thornton Hong Kong Limited	Certified public accountants
Greater China Appraisal Limited	Property consultant
Appleby	Cayman Islands legal advisers to our Company
Mr. Chan Chung	Barrister-at-law in Hong Kong
Frost & Sullivan Limited	Industry consultant

Each of the experts named above has given and has not withdrawn their respective written consents to the issue of this prospectus with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they respectively appear.

None of the experts named above has any shareholding interest in any members of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

21. 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 penalty provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

22. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

23. Taxation of holders of Shares**(a) *Hong Kong*****(i) *Profits***

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the Shares. Trading gains from the sale of property by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Gains from sales of the Shares effected on the Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of the Shares realised by persons carrying on a business of trading or dealing in securities in Hong Kong.

(ii) *Stamp duty*

Hong Kong stamp duty will be payable by the purchaser on every purchase of the Shares and by the seller on every sale of the Shares. The duty is charged on each of the purchaser and seller at the current rate of 0.1% of the consideration or, if higher, the fair value of the Shares being sold or transferred. In addition, a fixed duty of HK\$5 is currently payable on any instrument of transfer of shares.

(iii) *Estate duty*

Estate duty has been abolished in Hong Kong by The Revenue (Abolition of Estate Duty) Ordinance 2005 which came into effect on 11 February 2006. The estate of a person who died before 11 February 2006 is subject to the provisions of the Estate Duty Ordinance (Chapter 111, Laws of Hong Kong), and the Shares are Hong Kong property for this purpose. The estate duty chargeable in respect of estates of persons dying between the transitional period from and including 15 July 2005 to 11 February 2006 with the principal value exceeding HK\$7.5 million shall be a nominal amount of HK\$100. No Hong Kong estate duty is payable and no estate duty clearance papers are needed for a grant of representation in respect of holders of shares whose death occurs on or after 11 February 2006.

(b) The Cayman Islands

Under the Cayman Islands law currently in force, no stamp duty is payable in the Cayman Islands on transfers of our Shares except those which hold interests in land in the Cayman Islands.

(c) Consultation with professional advisers

Intended holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares or exercising any rights attaching to them. It is emphasised that none of our Company, our Directors or the other parties involved in the Share Offer can accept responsibility for any tax effect on, or liabilities of, holders of the Shares resulting from their subscription for, purchase, holding or disposal of or dealing in the Shares or exercising any rights attaching to them.

24. Miscellaneous

- (a) Save as disclosed in this prospectus,
 - (i) within the two years immediately preceding the date of this prospectus:
 - (aa) no share or loan capital of our Company or of any of its subsidiaries had 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 share, warrant or loan capital of our Company or any of its subsidiaries had been under option or agreed conditionally or unconditionally to be put under option;
 - (ii) our Company has no outstanding convertible debt securities or debentures; and
 - (iii) no founder, management or deferred shares or any debentures (including convertible bonds) of our Company or any of its subsidiaries have been issued or agreed to be issued;
- (b) Our Directors confirm that, save as disclosed in the paragraph headed “Financial Information – Listing expenses” in this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2018 (being the date to which the latest audited consolidated 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 material adverse effect on the financial position of our Group in the 12 months preceding the date of this prospectus;

- (d) None of the equity and debt securities of any member of our Group is listed or dealt with on any other stock exchange nor is any listing or permission to deal being or proposed to be sought;
- (e) There are no arrangements under which future dividends are waived or agreed to be waived; and
- (f) Subject to the provisions of the Companies Law and the Articles, the principal share register of our Company will be maintained in the Cayman Islands by Estera Trust (Cayman) Limited and a branch share register of our Company will be maintained in Hong Kong by Boardroom Share Registrars (HK) Limited. Unless our Board otherwise agrees, all transfers and other documents of title of our Shares must be lodged for registration with and registered by our Company's Hong Kong Branch Share Registrar and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS; and
- (g) The English version of this prospectus shall prevail over the Chinese version.

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- i. copies of **White** and **Yellow** Application Forms;
- ii. the written consents referred to in the section headed “Statutory and General Information – Other information – 20. Qualifications and consents of experts” in Appendix IV to this prospectus; and
- iii. a copy of each of the material contracts referred to in the section headed “Statutory and General Information – Further information about the business of our Group – 7. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Guantao & Chow Solicitors and Notaries, Suites 1604-06, 16/F, ICBC Tower, 3 Garden Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles;
- (b) the Accountants’ Report of our Group prepared by Grant Thornton Hong Kong Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the audited combined financial statements of the companies now comprising our Group for the Track Record Period;
- (d) the report on unaudited pro forma financial information of our Group issued by Grant Thornton Hong Kong Limited, the text of which is set out in Appendix II to this prospectus;
- (e) the industry report prepared by Frost & Sullivan Limited referred to in the section headed “Industry Overview” of this prospectus;
- (f) the letter prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix III to this prospectus;
- (g) the Companies Law;
- (h) the legal opinion dated the date of this prospectus issued by Mr. Chan Chung, our Hong Kong Legal Counsel;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE FOR INSPECTION**

- (i) the valuation report and fair rent opinion letters prepared by Greater China Appraisal Limited, our property consultant;
- (j) the service contracts and appointment letters referred to in the section headed “Further Information about our Directors, Substantial Shareholders and Experts – 9. Directors – (a) Particulars of Directors’ service contracts” in Appendix IV to this prospectus;
- (k) the rules of the Share Option Scheme referred to in the section headed “Other Information – 12. Share Option Scheme” in Appendix IV to this prospectus;
- (l) the material contracts referred to in the section headed “Further information about the business of our Group – 7. Summary of material contracts” in Appendix IV to this prospectus; and
- (m) the written consents referred to in the section headed “Other Information – 20. Qualifications and consents of experts” in Appendix IV to this prospectus.

Boltek Holdings Limited
寶燧控股有限公司