

# Wing Chi Holdings Limited 榮智控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6080

## SHARE OFFER

Sole Sponsor



Joint Bookrunners

**AmCap**  
Ample Orient Capital Limited  
豐盛東方資本有限公司



# IMPORTANT

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

## Wing Chi Holdings Limited

### 榮智控股有限公司

(incorporated in the Cayman Islands with limited liability)

#### SHARE OFFER

Number of Shares offered under the Share Offer : 225,000,000 Shares (subject to the Adjustment Options)  
Number of Placing Shares : 202,500,000 Shares (subject to reallocation and the Adjustment Options)  
Number of Public Offer Shares : 22,500,000 Shares (subject to reallocation)  
Offer Price : Not more than HK\$0.52 per Offer Share and not less than HK\$0.38 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 : 6080

#### Sole Sponsor



#### Joint Bookrunners

#### AmCap

Ample Orient Capital Limited  
豐盛東方資本有限公司



潮商證券有限公司  
ChaoShang Securities Limited

#### Joint Lead Managers

AmCap  
Ample Orient Capital Limited  
豐盛東方資本有限公司



Pacific  
Foundation



潮商證券有限公司  
ChaoShang Securities Limited



聯合證券  
Head & Shoulders Securities



Supreme China Securities Limited  
智華證券有限公司

#### Co-Lead Managers



中港通證券  
CHINA-HONG KONG LINK SECURITIES



利盟證券有限公司  
Grand Partners 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, with the documents specified in the paragraph headed "1. Documents delivered to the Registrar of Companies in Hong Kong" in Appendix VI to this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Friday, 13 October 2017 or such later date as may be agreed by the Joint Bookrunners and our Company, but in any event not later than Monday, 16 October 2017. The Offer Price will not be more than HK\$0.52 per Offer Share and is currently expected to be not less than HK\$0.38 per Offer Share unless otherwise announced. Investors applying for Public Offer Shares must pay, on application, the maximum Offer Price of HK\$0.52 for each Offer Share together with brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$0.52.

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with consent of our Company, reduce the indicative Offer Price range stated in this prospectus and/or the number of Offer Shares being offered at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such case, a notice of reduction of the indicative Offer Price range will be announced on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.wingchiholdings.com](http://www.wingchiholdings.com) not later than the morning of the last day for lodging applications under the Public Offer. Further details are set out in the sections headed "Structure and conditions of the Share Offer" and "How to apply for the Public Offer Shares" in this prospectus.

If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on or before Monday, 16 October 2017, the Share Offer will not become unconditional and will lapse immediately.

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

Prospective investors of the Public Offer Shares should note that the obligations of the Public Offer Underwriters under the Public Offer Underwriting Agreement to subscribe, and to procure subscribers to subscribe for, the Public Offer Shares, are subject to termination by the Joint Bookrunners (for themselves and on behalf of the Underwriters) if certain events shall occur prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this prospectus.

## EXPECTED TIMETABLE<sup>(1)</sup>

Application lists of the Public Offer open<sup>(2)</sup> ..... 11:45 a.m. on Monday,  
9 October 2017

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

Forms and giving **electronic application instructions** to HKSCC<sup>(3)</sup> ..... 12:00 noon on Monday,  
9 October 2017

Application lists of the Public Offer close<sup>(2)</sup> ..... 12:00 noon on Monday,  
9 October 2017

Expected Price Determination Date<sup>(4)</sup> ..... Friday, 13 October 2017

Announcement of the final Offer Price, the indication of levels of interest

in the Placing, the level of applications in respect of the Public Offer

and the basis of allotment of the Public Offer Shares under the Public Offer

to be published on the website of our Company at **www.wingchiholdings.com**<sup>(5)</sup>

and on the website of the Stock Exchange at **www.hkexnews.hk** on or before..... Thursday,  
19 October 2017

Results of allocations in the Public Offer (with successful applicants’

identification document numbers, where appropriate) to be available

through a variety of channels as described in the section headed

“How to apply for the Public Offer Shares” in this prospectus from ..... Thursday,  
19 October 2017

Results of allocations in the Public Offer will be available

at **www.tricor.com.hk/ipo/result** with a “search by

ID Number/Business Registration Number” function from ..... Thursday,  
19 October 2017

Despatch/Collection of Share certificates or deposit of share certificates

into CCASS in respect of wholly or partially successful Applications

pursuant to the Public Offer on or before<sup>(6)</sup>..... Thursday, 19 October 2017

Despatch/Collection of refund cheques in respect of wholly successful

(if applicable) or wholly or partially unsuccessful applications

pursuant to the Public Offer on or before<sup>(6), (7)</sup>..... Thursday, 19 October 2017

Dealings in Shares on the Main Board of the Stock

Exchange are expected to commence at 9:00 a.m. on ..... Friday, 20 October 2017

## EXPECTED TIMETABLE<sup>(1)</sup>

*Notes:*

- (1) All times refer to Hong Kong local time. Details of the Structure and Conditions of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus. If there is any change in this expected timetable, an announcement will be published on the website of our Company at [www.wingchiholdings.com](http://www.wingchiholdings.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).
- (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, 9 October 2017, the application lists will not open or close on that day. Please refer to the paragraph headed “How to apply for the Public Offer Shares — 9. Effect of bad weather on the opening of the application lists” in this prospectus. If the application lists do not open and close on Monday, 9 October 2017, the dates mentioned in this section headed “Expected Timetable” may be affected. We will make a press announcement in such event.
- (3) Applicants who apply for the Public Offer Shares by giving electronic application instructions to HKSCC should refer to the paragraph headed “How to apply for the Public Offer Shares — 5. Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
- (4) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Friday, 13 October 2017 (or such other date as may be agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and the Company, but in any event not later than Monday, 16 October 2017). If, for any reason, the Offer Price is not agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company by Monday, 16 October 2017, the Share Offer (including the Public Offer) will not proceed and will lapse immediately.
- (5) None of the website or any information contained on the website forms part of this prospectus.
- (6) Applicants who apply for 1,000,000 or more Public Offer Shares and have provided all information required in their Application Forms that they may collect Share certificates (if applicable) and refund cheques (if applicable) in person may do so from our Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, 19 October 2017 or any other date notified by us as the date of despatch of Share certificates/refund cheques. Applicants being individuals who opt for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who opt for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his corporation stamped with the corporation’s chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar. Applicants who have applied on **YELLOW** Application Forms may not elect to collect their Share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants’ stock accounts or CCASS Investor Participant stock accounts, as appropriate. 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 the Public Offer Shares — 13. Despatch/Collection of share certificates and refund monies” in this prospectus.
- (7) Refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the Offer Price is less than the initial price per Public Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in “How to apply for the Public Offer Shares” in this prospectus.

## EXPECTED TIMETABLE<sup>(1)</sup>

**Share certificates will only become valid certificates of title provided that the Public 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.**

Particulars of the Structure and Conditions of the Share Offer, including the conditions thereto, are set out in the section headed “Structure and Conditions of the Share Offer” in this prospectus. Details relating to how to apply for the Public Offer Shares are set out in the section headed “How to apply for the Public Offer Shares” in this prospectus.

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## IMPORTANT NOTICE TO INVESTORS

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

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by us, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Sole Sponsor, any of the Underwriters, any of their respective directors, officers, representatives or advisers or any other person involved in the Share Offer. Information contained on our website, located at [www.wingchiholdings.com](http://www.wingchiholdings.com), does not form part of this prospectus.*

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## SUMMARY

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

*There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed “Risk factors” of this prospectus. You should read that section carefully before you decide to invest in our Shares.*

### BUSINESS OVERVIEW

*Our business:* We are a Hong Kong-based subcontractor engaged in foundation and site formation works. Our foundation and site formation works represent the projects undertaken by us, the nature of which is broadly classified as pile caps construction, ELS works and site formation works. To a lesser extent, we also leased some of our machinery, mainly excavators to contractors/subcontractors during the Track Record Period.

*Our revenue:* During the Track Record Period, we generated revenue principally from our foundation and site formation works. The following table sets forth the breakdown of our revenue by type of work during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue	Revenue HK\$'000	% of total revenue
Foundation and site formation works	215,086	90.1	332,265	95.2	360,481	94.7
Machinery leasing	<u>23,692</u>	<u>9.9</u>	<u>16,756</u>	<u>4.8</u>	<u>20,176</u>	<u>5.3</u>
Total	<u><u>238,778</u></u>	<u><u>100</u></u>	<u><u>349,021</u></u>	<u><u>100</u></u>	<u><u>380,657</u></u>	<u><u>100</u></u>

Our foundation and site formation works originate from both public sector projects (including projects where the ultimate employer(s) are Government departments and statutory bodies) and private sectors projects (where the ultimate employer(s) are property developer(s) and land owner(s)). The following table sets forth the number of foundation and site formation projects and breakdown of revenue attributable to public sector projects and private sector projects during the Track Record Period:

	For the year ended 31 March								
	2015			2016			2017		
	No. of project handled	Revenue HK\$'000	% of total revenue	No. of project handled	Revenue HK\$'000	% of total revenue	No. of project handled	Revenue HK\$'000	% of total revenue
Private sector	25	170,209	79.1	23	197,888	59.6	20	226,832	62.9
Public sector	<u>10</u>	<u>44,877</u>	<u>20.9</u>	<u>14</u>	<u>134,377</u>	<u>40.4</u>	<u>21</u>	<u>133,649</u>	<u>37.1</u>
Total	<u><u>35</u></u>	<u><u>215,086</u></u>	<u><u>100</u></u>	<u><u>37</u></u>	<u><u>332,265</u></u>	<u><u>100</u></u>	<u><u>41</u></u>	<u><u>360,481</u></u>	<u><u>100</u></u>

## SUMMARY

The following table sets forth the revenue generated by work type, namely civil works and building works, during the Track Record Period:

	<b>For the year ended 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Civil works	32,510	15,784	84,481
Buildings works	<u>182,576</u>	<u>316,481</u>	<u>276,000</u>
<b>Total</b>	<b><u>215,086</u></b>	<b><u>332,265</u></b>	<b><u>360,481</u></b>

For each of the three years ended 31 March 2017, there were 35, 37, and 41 projects contributing to our revenue respectively. The following table sets forth the breakdown of such contracts based on their respective revenue recognised during the Track Record Period:

	<b>For the year ended 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>No. of projects</i>	<i>No. of projects</i>	<i>No. of projects</i>
<b>Revenue recognised</b>			
HK\$50,000,000 or above	—	2	1
HK\$10,000,000 to below HK\$50,000,000	7	7	8
HK\$5,000,000 to below HK\$10,000,000	6	2	4
HK\$1,000,000 to below HK\$5,000,000	9	12	8
Below HK\$1,000,000	<u>13</u>	<u>14</u>	<u>20</u>
<b>Total</b>	<b><u>35</u></b>	<b><u>37</u></b>	<b><u>41</u></b>

During the Track Record Period and up to the Latest Practicable Date, we had completed 75 projects with a total original contract sum of approximately HK\$1,003.7 million, of which a total revenue of approximately HK\$862.9 million had been recognised for the three years ended 31 March 2017. For particulars of our projects completed during the Track Record Period and up to the Latest Practicable Date, please refer to the paragraph headed “Business — Our foundation and site formation projects — Projects completed during the Track Record Period and up to the Latest Practicable Date” in this prospectus.

## SUMMARY

The following table sets forth the movement of backlog of our projects, representing the total original contract value of works which remain to be completed pursuant to the terms of the outstanding contracts as at a certain date and assuming performance in accordance with the terms of the contract, during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	<i>HK\$'000</i>	<i>Number of contracts attributed</i>	<i>HK\$'000</i>	<i>Number of contracts attributed</i>	<i>HK\$'000</i>	<i>Number of contracts attributed</i>
Opening aggregate original contract sum of backlog	181,105	15	430,516	20	357,906	22
Aggregate original contract sum of new contracts commenced <i>(Note)</i>	391,101	20	201,288	17	385,674	23
Aggregate original contract sum of completed contracts	<u>(141,690)</u>	<u>(15)</u>	<u>(273,898)</u>	<u>(15)</u>	<u>(361,063)</u>	<u>(28)</u>
Closing original contract sum of backlog	<u>430,516</u>	<u>20</u>	<u>357,906</u>	<u>22</u>	<u>382,517</u>	<u>17</u>

*Note:* The original contract sum is based on the initial agreement between our customer and us and may not include additions, modifications due to subsequent variation orders, as such final revenue recognised from a contract may differ from the original contract sum.

*Our cost of sales:* Our Group's cost of sales consists of (i) material costs; (ii) subcontracting costs; (iii) direct labour costs; (iv) transportation costs; (v) depreciation expenses; and (vi) others. The following table sets forth a breakdown of our cost of sales during the Track Record Period:

	For the year ended 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Material costs	92,252	140,054	138,861
Subcontracting costs	36,720	63,093	94,751
Direct labour	42,381	57,887	59,199
Transportation costs	22,358	28,266	17,961
Depreciation of plant and equipment	2,815	4,336	5,858
Others	<u>17,590</u>	<u>19,617</u>	<u>17,685</u>
	<u>214,116</u>	<u>313,253</u>	<u>334,315</u>

For detailed analysis of our Group's cost of sales, please refer to the paragraph headed "Financial information — Year-to-year comparison of results of operations" in this prospectus.

## SUMMARY

*Our gross profit and gross profit margin:* Our Group's gross profit was approximately HK\$24.7 million, HK\$35.8 million and HK\$46.3 million for each of the three year ended 31 March 2017, and a gross profit margin of approximately 10.3%, 10.2% and 12.2%, respectively.

The following table sets forth a breakdown of our gross profit and gross profit margin by private and public projects from construction contracts during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	Gross profit margin <i>HK\$'000</i>	Gross profit margin %	Gross profit margin <i>HK\$'000</i>	Gross profit margin %	Gross profit margin <i>HK\$'000</i>	Gross profit margin %
Private sector	16,149	9.5	20,466	10.3	27,589	12.2
Public sector	<u>7,353</u>	16.4	<u>14,668</u>	10.9	<u>18,476</u>	13.8
Total	<u><u>23,502</u></u>	<u><u>10.9</u></u>	<u><u>35,134</u></u>	<u><u>10.6</u></u>	<u><u>46,065</u></u>	<u><u>12.8</u></u>

The following table sets forth a breakdown of our gross profit and gross profit margin by work type, namely civil works and building works, during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	Gross profit margin <i>HK\$'000</i>	Gross profit margin %	Gross profit margin <i>HK\$'000</i>	Gross profit margin %	Gross profit margin <i>HK\$'000</i>	Gross profit margin %
Civil works	5,709	17.6	3,288	20.8	11,785	13.9
Buildings works	<u>17,793</u>	9.7	<u>31,846</u>	10.1	<u>34,280</u>	12.4
Total	<u><u>23,502</u></u>	<u><u>10.9</u></u>	<u><u>35,134</u></u>	<u><u>10.6</u></u>	<u><u>46,065</u></u>	<u><u>12.8</u></u>

Our Group's total gross profit increased by approximately HK\$11.1 million, or 45.0%, from approximately HK\$24.7 million for the year ended 31 March 2015 to approximately HK\$35.8 million for the year ended 31 March 2016. Such increase was primarily attributable to the increase in our Group's revenue with our gross profit margin remained relatively stable at approximately 10.3% and 10.2% for the year ended 31 March 2015 and 2016 respectively.

Our Group's total gross profit increased by approximately HK\$10.5 million, or 29.3%, from approximately HK\$35.8 million for the year ended 31 March 2016 to approximately HK\$46.3 million for the year ended 31 March 2017, while our gross profit margin also increased from approximately 10.2% for the year ended 31 March 2016 to approximately 12.2% for the year ended 31 March 2017. The increase in our gross profit and gross profit margin was primarily due to (i) the increase in the proportion of excavation works projects which commenced during the year ended 31 March 2017 including the Long Ping South project and the Shek Kip Mei Estate phases 3&7 project. The major

## SUMMARY

scopes of work included mainly excavation and rock breaking works and therefore our material costs had decreased; and (ii) the reduction in our transportation costs as the fee in respect of the Construction Waste Disposal Charging Scheme by the Government was wholly borne by our customers for new large projects which commenced during the year ended 31 March 2017.

*Our tendering process:* During the Track Record Period, our Group obtained foundation and site formation works projects through tender invitations and requests for quotations. The following table sets forth the number of projects tendered and won by our Group for each of the three years ended 31 March 2017, respectively:

	For the year ended 31 March		
	2015	2016	2017
Number of tenders submitted	65	60	72
Number of contracts awards to our Group	26	20	27
Success rate (%)	40.0	33.3	37.5

Our tender success rate had been relatively stable during the Track Record Period. Our Directors believe that our tender success rate was not particularly high because we had submitted some tenders upon receipt of invitation from our customers or potential customers in order to maintain our relationship with our customers and strengthen our presence in the foundation and site formation industry. More importantly, owing to our financial needs for expansion of our business, we had been more prudent in our estimation of costs and time and this approach might have caused our tender price less favourable than our competitors. For details of the tender success rate of our Group, please refer to the paragraph headed “Business — Our foundation and site formation projects” in this prospectus.

*Our pricing strategy:* Our pricing is determined based on a cost-plus pricing model in general with the markup, which is determined on a project-by-project basis. We estimate our cost for undertaking a project with reference to the following factors: (i) the nature, scope and complexity of the works involved (for example, the estimated costs would be higher for projects which require rock excavation); (ii) the then availability of our manpower and resources (including financial resources to satisfy the surety bond requirement); (iii) the material costs and subcontracting charges involved in the project; and (iv) the expected timetable for the projects as requested by the customer.

## CUSTOMERS, SUPPLIERS AND SUBCONTRACTORS

### Customers

Revenue attributable to our Group’s five largest customers for each of the three years ended 31 March 2017 amounted to 94.1%, 96.5% and 95.4% of the revenue of our Group, respectively. During the Track Record Period, our Group derived a significant portion of our revenue from Kin Wing Group. For each of the corresponding years, approximately 61.4%, 74.0% and 66.2% of our total revenue in the respective period was attributable to Kin Wing Group. For further details of our major customers, please refer to the paragraph headed “Business — Customers” in this prospectus.

## SUMMARY

### Suppliers and subcontractors

During the Track Record Period, our suppliers included contractors/subcontractors of foundation and site formation works, lessors of machinery, repair and maintenance service providers and suppliers of consumables such as spare parts and diesel fuel. For each of the three years ended 31 March 2017, our top five suppliers accounted for approximately 55.4%, 65.8% and 67.8% of our total purchase, respectively. For further details of our major suppliers and subcontractors, please refer to the paragraphs respectively headed “Business — Our suppliers” and “Business — Subcontracting” in this prospectus.

### COMPETITIVE STRENGTHS

Our Directors believe that our Group possesses the following competitive strengths which are described in greater details in the paragraph headed “Business — Competitive strengths” in this prospectus:

- we have an established operating history and a proven track record;
- we own a wide range of machinery and equipment to conduct our foundation and site formation works;
- we have an experienced and dedicated management team and direct workforce;
- we have stable long-term relationships with our customers, suppliers and subcontractors; and
- we are committed to a high standard of quality, environmental management and safety management.

### COMPETITIVE LANDSCAPE AND MARKET SHARE

The foundation and site formation industry in Hong Kong is highly competitive with presence of several leading contractors operating in the industry. The top five contractors accounted for approximately 46.4% share of the industry revenue in 2016. In 2016, our Company recorded approximately HK\$349.0 million of revenue by engaging in foundation and site formation works and providing construction machinery rental services. Furthermore, approximately HK\$332.3 million of revenue generated by providing foundation and site formation works in Hong Kong. According to the Ipsos Report, the above accounted for approximately a 1.5% share of the total industry revenue.

### BUSINESS STRATEGIES

Our principal business objectives are to achieve sustainable growth of our business and further strengthen our position in the foundation and site formation industry in Hong Kong by executing the following key strategies:

- competing for more foundation and/or site formation works projects and in particular, projects from the public sector;
- further strengthening our capital base for the issue of surety bonds;
- acquiring additional machinery and equipment to enhance our operational efficiency; and

## SUMMARY

- further expanding our manpower for project execution and strengthening the skills of our employees.

For more details on our business strategies, please refer to the paragraph headed “Business — Business strategies” in this prospectus.

### CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Share Offer (assuming that no Share is issued pursuant to the exercise of the Adjustment Options and any options which may be granted under the Share Option Scheme), Mr. Li, through Colourfield Global, will be interested in 75% of the issued Shares of our Company. In view of the aforesaid, Mr. Li and Colourfield Global will be our Controlling Shareholders within the meaning of the Listing Rules. For further details, please refer to the section headed “Relationship with the Controlling Shareholders” in this prospectus.

Mr. Li is the chairman of our Board, chief executive officer and executive Director of our Company. For further details, please refer to the paragraph headed “Directors and senior management — Directors — Executive Directors” in this prospectus.

### KEY OPERATIONAL AND FINANCIAL DATA

The following tables present a summary of key operational and financial data during the Track Record Period and should be read in conjunction with our financial information included in the Accountants’ Report set forth in Appendix I to this prospectus, including the notes thereto.

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

	<b>For the year ended 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Revenue	238,778	349,021	380,657
Cost of sales	<u>(214,116)</u>	<u>(313,253)</u>	<u>(334,315)</u>
Gross profit	24,662	35,768	46,342
Other income	779	1,138	1,704
Administrative expenses	(10,088)	(10,528)	(17,655)
Finance costs	<u>(751)</u>	<u>(879)</u>	<u>(847)</u>
Profit before taxation	14,602	25,499	29,544
Income tax expense	<u>(2,783)</u>	<u>(4,194)</u>	<u>(6,161)</u>
Profit and total comprehensive income for the year	<u><u>11,819</u></u>	<u><u>21,305</u></u>	<u><u>23,383</u></u>

## SUMMARY

During the Track Record Period, our Group recorded revenue of approximately HK\$238.8 million, HK\$349.0 million and HK\$380.7 million, respectively; and for the same periods, our Group recorded profit and total comprehensive income of approximately HK\$11.8 million, HK\$21.3 million and HK\$23.4 million, respectively.

Our Group's revenue increased by approximately HK\$110.2 million, or 46.1%, from approximately HK\$238.8 million for the year ended 31 March 2015 to approximately HK\$349.0 million for the year ended 31 March 2016. Such increase was mainly due to the increase in the number of public sector projects from 10 for the year ended 31 March 2015 to 14 for the year ended 31 March 2016.

The revenue derived from construction services increased from approximately HK\$332.3 million for the year ended 31 March 2016 to approximately HK\$360.5 million for the year ended 31 March 2017. Such increase was mainly due to our efforts in pursuing projects of relatively larger scale in terms of contract sum during the year ended 31 March 2017 including two large foundation and site formation works contracts in relation to the Hong Kong-Zhuhai-Macao Bridge and the formation works contract at No. 15 Middle Road.

### Selected information extracted from consolidated statements of financial position

	As at 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current assets	54,349	70,417	87,993
Current liabilities	48,902	42,961	44,964
Net current assets	5,447	27,456	43,029
Net assets	25,911	47,216	70,599
Total assets	79,175	92,989	118,207

### Selected information extracted from consolidated statements of cash flows

	For the year ended 31 March		
	2015	2016	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	6,145	10,264	33,880
Net cash used in investing activities	(2,107)	(2,926)	(12,622)
Net cash generated from (used in) financing activities	<u>7,762</u>	<u>(10,927)</u>	<u>(9,932)</u>
Net increase (decrease) in cash and cash equivalents	11,800	(3,589)	11,326
Cash and cash equivalents at the beginning of the year	<u>1,791</u>	<u>13,591</u>	<u>10,002</u>
Cash and cash equivalents at the end of the year	<u><u>13,591</u></u>	<u><u>10,002</u></u>	<u><u>21,328</u></u>

## SUMMARY

As at 31 March 2017, our Group recorded relatively high cash balance when comparing to that as at 31 March 2016. Such relative high cash balance was mainly due to our relatively higher profit for the year ended 31 March 2017, which led to a large amount of net cash generated from operating activities.

### KEY FINANCIAL RATIOS

Selected Ratios	As at/for the year ended 31 March		
	2015	2016	2017
Current ratio ( <i>Note 1</i> )	1.1	1.6	2.0
Gearing ratio ( <i>Note 2</i> )	112.6%	46.0%	21.3%
Return on total assets ( <i>Note 3</i> )	14.9%	22.9%	19.8%
Return on equity ( <i>Note 4</i> )	45.6%	45.1%	33.1%
Interest coverage ( <i>Note 5</i> )	20.4	30.0	35.9

#### Notes:

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of each reporting period.
2. Gearing ratio is calculated based on the total debts (defined as the sum of the amounts due to a director, bank borrowings and obligations under finance leases) divided by the total equity as at the end of each reporting period and multiplied by 100%.
3. Return on total assets is calculated by the profit attributable to owners of our Company for the year divided by the total assets as at the end of each reporting period and multiplied by 100%.
4. Return on equity is calculated by the profit attributable to owners of our Company for the year divided by the total equity as at the end of each reporting period and multiplied by 100%.
5. Interest coverage is calculated by the profit before interest and tax divided by the interest for the respective year.

### DIVIDEND

Our Group did not declare any dividend for the each of three years ended 31 March 2017. The decision to distribute any interim dividend or special dividend, or the recommendation of the payment of dividend, is subject to the absolute discretion of our Board, and any declaration of final dividend for the year will also be subject to the approval of our Shareholders. Our Directors may recommend a payment of dividend in the future after taking into account of our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time. The declaration, payment and amount of any future dividends will be subject to our constitutional documents comprising the Memorandum and Articles of Association and the Companies Laws including, where necessary, the approval of our Shareholders. We do not have any fixed dividend payout ratio. Investors should note that historical dividend distributions are not indicative of our future dividend distribution policy.

## SUMMARY

### FUTURE PLANS AND PROPOSED USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Share Offer to be received by us, after deducting underwriting commissions and estimated expenses paid and payable by our Company in connection with the Share Offer, to be approximately HK\$76.3 million, assuming none of the Adjustment Options is exercised and the Offer Price of HK\$0.45 per Share, being the mid-point of the indicative Offer Price range of HK\$0.38 to HK\$0.52 per Share. We currently intend to implement the following future plans to grow our business and create value for our Shareholders by applying these net proceeds in the following manner:

#### Approximate amount of net proceeds

#### Intended applications

Approximately HK\$29.8 million or approximately 39.1%

Acquire additional machinery and equipment comprising excavators and lifting cranes

Approximately HK\$23.0 million or approximately 30.1%

Secure more contracts we plan to tender, which it is generally required as conditions of tender that subcontractors will be required to take out surety bonds issued by banks or insurance companies in the amount of certain percentage of the contract sum in favour of the potential customers

approximately HK\$16.9 million or approximately 22.2%

Strengthen our Group's manpower by (i) recruiting 13 additional full-time staff, including one project manager, four site supervisors, one quantity surveyor and seven machinery operators; and (ii) providing trainings to our staff to update their knowledge and enhance their skills

approximately HK\$6.6 million or approximately 8.6%

General working capital of our Group

For further details on our future plans and use of proceeds, please refer to the section headed "Future plans and use of proceeds" in this prospectus.

Please also refer to the section headed "Future plans and use of proceeds — Reasons for the Listing" in this prospectus for detailed reasons for the Listing.

### OFFERING STATISTICS

	<b>Based in the minimum Offer Price of HK\$0.38 per Share</b>	<b>Based on the maximum Offer Price of HK\$0.52 per Share</b>
Market capitalisation at Listing ( <i>Note 1</i> )	HK\$342.0 million	HK\$468.0 million
Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share ( <i>Note 2</i> )	HK\$0.15	HK\$0.18

## SUMMARY

### *Notes:*

1. The calculation of our market capitalisation is based on 900,000,000 Shares which will be in issue immediately following completion of the Share Offer, but takes no account of any Shares which may be issued upon the exercise of the Adjustment Options and any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by Company pursuant to the general mandate to issue shares and general mandate to repurchase shares as described in the section headed “Share capital” in this prospectus.
2. The unaudited pro forma adjusted consolidated net tangible assets per Share is determined after the adjustments as described in note 3 in the section headed “Unaudited pro forma financial information — A. the statement of unaudited pro forma financial information” in this prospectus and on the basis that 900,000,000 Shares are issued and outstanding as set out in the section headed “Share capital” in this prospectus, but takes no account of any Shares which may be issued upon the exercise of the Adjustment Options or the options which may be granted under the Share Option Scheme.

## LITIGATION AND LEGAL COMPLIANCE

As at the Latest Practicable Date, we were a party to one personal injury claim and two outstanding criminal litigations. During the Track Record Period and up to the Latest Practicable Date, our Group recorded 22 personal injury accidents which may lead to 18 potential personal injury claims and 16 potential employees’ compensation claims. Please refer to the section headed “Business — Litigation and potential claims” in this prospectus for further details.

## RISK FACTORS

There are a number of risks involved in our business and operations. They can be classified into: (i) risks relating to our business; (ii) risks relating to the industry in which we operate; and (iii) risks relating to the Share Offer and our Shares; and we believe that our major risks include:

- our revenue is derived from our foundation and site formation works which are non-recurrent in nature, and there is;
- our Group determines the contract price based on our estimated time and costs involved in the project and the actual time and costs incurred may exceed our estimate due to unexpected circumstances, thereby adversely affect our operations and financial results;
- we have a concentration of customers during the Track Record Period and any decrease or loss of business from these major customers could adversely and substantially affect our operations and financial conditions;
- he may not be able to maintain or increase our success rate of the project tendered and our historical results may not be indicative of our future revenue and profit margin; and
- there is no guarantee that the Technical Circular or other similar administrative tools issued by the Government will not impose any negative impact on our Group.

A detailed discussion of the risk factors is set forth in the section headed “Risk factors” in this prospectus. Prospective investors should read the “Risk factors” section in its entirety before making any investment decision in the Listing.

## SUMMARY

### LISTING EXPENSES

The estimated total Listing expenses (based on the mid-point of our indicative Offer Price range and assuming none of the Adjustment Options is exercised) in relation to the Share Offer is approximately HK\$25.0 million, of which (i) approximately HK\$4.3 million was charged to our consolidated statements of profit or loss and other comprehensive income for the year ended 31 March 2017; (ii) approximately HK\$12.5 million will be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending 31 March 2018; and (iii) approximately HK\$8.2 million will be charged against equity for the year ending 31 March 2018. The recognition of the Listing expenses is expected to materially affect our Group's performance for the year ending 31 March 2018.

### RECENT DEVELOPMENT AND MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the Latest Practicable Date, 15 new contracts, with an aggregate original contract sum of approximately HK\$256.0 million were awarded to our Group. As at the Latest Practicable Date, we had 15 projects on hand (including projects in progress as well as projects that awarded to us but not yet commenced) with a total original contract sum of approximately HK\$411.6 million, of which approximately HK\$44.9 million had been recognised for the year ended 31 March 2017. Based on our Directors' estimation, taking into account of the respective existing timetable of the projects on hand, approximately HK\$347.4 million is expected to be recognised for the year ending 31 March 2018 and approximately HK\$43.7 million is expected to be recognised for the six months ending 30 September 2018 <sup>(Note)</sup>.

Our Directors have confirmed that, save for the Listing expenses as disclosed in the above, since 31 March 2017 and up to the date of this prospectus, there had been no material adverse change in the trading and financial position or prospects of our Group and no event had occurred that would materially and adversely affect the information shown in the Accountants' Report as set out in Appendix I to the prospectus.

*Note:* In respect of our 15 projects on hand, our customers requested us to perform additional variation works for five of our projects on hand located at (i) 48-56 Ki Lung Street; (ii) 4 Fuk Tong Road (HY/2014/16); (iii) Hong Kong-Zhuhai-Macao Bridge (HY/2013/02); (iv) Subsidised Sale Flats Development at Queen's Hill (20150596); and (v) Hong Kong-Zhuhai-Macao Bridge (HY/2013/03). During the Track Record Period and up to the Latest Practicable Date, the total revenue contributed/to be contributed by the additional works under these variation orders amounted to approximately HK\$43.9 million.

## DEFINITIONS

*Unless the context otherwise requires, the following expressions have the following meanings in this prospectus. Certain other terms are explained in the sections headed “Glossary of technical terms”.*

“Accountants’ Report”	the accountants’ report of our Group prepared by the Reporting Accountants set out in Appendix I to the prospectus
“Adjustment Options”	the Offer Size Adjustment Option and the Over-allotment Option
“Affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	<b>WHITE</b> and <b>YELLOW</b> application form(s), or where the context so requires, any one of them, relating to the Public Offer
“Articles of Association” or “Articles”	the amended and restated articles of association of our Company conditionally adopted on 21 September 2017 with effect from the Listing Date, a summary of which is set out in Appendix IV to this prospectus, and as amended from time to time
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Billion Talent”	Billion Talent Enterprises Limited (億賦企業有限公司), a company incorporated in BVI on 5 January 2017 with liability limited by shares and an indirect subsidiary of our Company
“Board” or “Board of Directors”	the board of Directors
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for business to the public and which is not (i) a Saturday, Sunday or public holiday in Hong Kong or (ii) a day on which a tropical cyclone warning signal no. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate, a method of assessing the average growth of a value over time

## DEFINITIONS

“Capitalisation Issue”	the allotment and issue of 674,999,000 Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed “Statutory and general information — A. Further information about the Company — 3. Written resolutions of the sole Shareholder” in Appendix V to this prospectus
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	People’s Republic of China, which excludes for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“China State Group”	represents China State Construction Engineering (Hong Kong) Limited and China State Foundation Engineering Limited, which are both subsidiaries of China State Construction International Holdings Limited (Stock Code: 3311)
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Co-Lead Managers”	China-Hong Kong Link Securities Company Limited and Grand Partners Securities Limited
“Colourfield Global”	Colourfield Global Limited (彩暉環球有限公司), a company incorporated in BVI on 14 February 2017 with liability limited by shares and wholly owned by Mr. Li, a Controlling Shareholder
“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), which came into effect on 3 March 2014, as amended, modified and supplemented from time to time

## DEFINITIONS

“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Wing Chi Holdings Limited (榮智控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 13 March 2017
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules and, unless the context requires otherwise, collectively refers to Mr. Li and Colourfield Global who, together, will control the exercise of 30% or more of the voting rights in the general meeting of our Company immediately after the Share Offer
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Crystal Future”	Crystal Future Global Limited (明遠環球有限公司), a company incorporated in BVI on 5 January 2017 with liability limited by shares and an indirect subsidiary of our Company
“Customer Z”	represents a company incorporated in Hong Kong with principal activities on property development, which is a subsidiary of a public company listed on the Main Board that is ultimately controlled by the same shareholder of Chinney Kin Wing Holdings Limited (Stock Code: 1556) and Chinney Alliance Group Limited (Stock Code: 385), respectively
“Declaration of Trust Regarding Lik Shing Construction”	the declaration of trust executed by Mrs. Li and Mr. Li on 26 June 2012, pursuant to which Mrs. Li declared that she held one issued share of Lik Shing Construction for and on behalf of Mr. Li
“Declaration of Trust Regarding Lik Shing Construction Engineering”	the declaration of trust executed by Mr. Li KY and Mr. Li on 19 September 2014, pursuant to which Mr. Li KY declared that he held one issued share of Lik Shing Construction Engineering for and on behalf of Mr. Li
“Deed of Indemnity”	the deed of indemnity dated 21 September 2017 entered into between each of the Controlling Shareholders and our Company (for itself and as trustee for other Group members), the particulars of which are set out in the paragraph headed “Statutory and general information — E. Other information — 1. Tax and other indemnities” in Appendix V to this prospectus

## DEFINITIONS

“Deed of Non-competition”	the deed of non-competition dated 21 September 2017 made by our Controlling Shareholders in favour of our Company (for itself and as trustee for each of the subsidiaries of the Group), which contains certain non-compete undertakings given in favour of our Group, the particulars of which are set out in the paragraph headed “Relationship with the Controlling Shareholders — Non-compete Undertakings” in this prospectus
“Director(s)”	director(s) of our Company
“EPD” or “Environmental Protection Department”	Environmental Protection Department of the Government
“Ever Team Construction”	Ever Team Construction Engineering Limited (永匯建築工程有限公司), a company incorporated in Hong Kong with limited liability on 28 March 2014
“Glory Ease”	Glory Ease Ventures Limited (頌宜創投有限公司), a company incorporated in BVI on 5 January 2017 with liability limited by shares and an indirect subsidiary of our Company
“Government” or “Hong Kong Government”	the government of Hong Kong
“Group”, “our Group”, “we” or “us”	our Company and our subsidiaries at the relevant time or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries pursuant to the Reorganisation, its present subsidiaries
“Harvest Year”	Harvest Year Ventures Limited (豐年創投有限公司), a company incorporated in BVI on 15 February 2017 with liability limited by shares and an indirect subsidiary of our Company
“HK\$” or “Hong Kong dollar(s)” or “HKD” or “cents” or “\$”	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
“HKFRS(s)”	Hong Kong Financial Reporting Standard(s)
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HKSAR”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Tricor Investor Services Limited, our Hong Kong branch share registrar and transfer office

## DEFINITIONS

“Independent Third Party(ies)”	individual(s) or a company(ies) who is (or are) not a connected person (within the meaning of the Listing Rules) of our Company, any of its subsidiaries or any of their respective associates
“Infinite Merit”	Infinite Merit Global Limited (永御環球有限公司), a company incorporated in BVI on 20 February 2017 with liability limited by shares and a direct subsidiary of our Company
“Internal Control Consultant”	CT Partners Consultants Limited
“Ipsos”	Ipsos Limited, an independent market research firm
“Ipsos Report”	an independent market research report in respect of the construction industry in Hong Kong, prepared by Ipsos Limited which was commissioned by our Company
“Joint Bookrunners”	Ample Orient Capital Limited and ChaoShang Securities Limited
“Joint Lead Managers”	Ample Orient Capital Limited, Pacific Foundation Securities Limited, ChaoShang Securities Limited, Head & Shoulders Securities Limited and Supreme China Securities Limited
“Kin Wing Group”	represents (i) Kin Wing Engineering Company Limited, Kin Wing Foundations Limited and Customer Y which are subsidiaries of Chinney Kin Wing Holdings Limited (Stock Code: 1556) (a subsidiary of Chinney Alliance Group Limited (Stock Code: 385)); and (ii) Customer Z
“Latest Practicable Date”	21 September 2017, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its printing
“laws”	include all laws, rules, regulations, guidelines, opinions (whether formally published or not), notices, circulars, orders, judgements, decrees or rulings of any court, government, governmental or regulatory authority whether or not ejusdem generis with any of the foregoing (including, without limitation, the Stock Exchange) and “law” shall be construed accordingly
“Legal Counsel”	Ms. Ng Wing Shan Queenie, barrister-at-law in Hong Kong
“Lik Shing Construction”	Lik Shing Construction Company Limited (力盛建築有限公司), a company incorporated in Hong Kong on 26 June 2012 with limited liability and a subsidiary of our Company
“Lik Shing Construction Engineering”	Lik Shing Construction Engineering Limited (力盛建築工程有限公司), a company incorporated in Hong Kong on 19 September 2014 with limited liability and a subsidiary of our Company

## DEFINITIONS

“Lik Shing Engineering”	Lik Shing Engineering Company Limited (力盛工程有限公司), a company incorporated in Hong Kong on 11 October 2007 with limited liability and a subsidiary of our Company
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Friday, 20 October 2017, on which dealings in the Shares on the Main Board first commence
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended, supplemented or otherwise modified from time to time)
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the amended and restated memorandum of association of our Company conditionally adopted on 21 September 2017 with effect from the Listing Date, a summary of which is set out in Appendix IV to this prospectus, and as amended from time to time
“Mr. Li”	Mr. Li Cheuk Kam (李灼金), an executive Director and one of the Controlling Shareholders of our Company
“Mr. Li KY”	Mr. Li Kun Yee (李灌宜), an executive Director and the son of Mr. Li and Mrs. Li
“Mrs. Li”	Ms. Chau Man Chun (周文珍), the spouse of Mr. Li
“Nomination Committee”	the Nomination Committee of the Board
“Novel Sign”	Novel Sign Investments Limited (穎誌投資有限公司), a company incorporated in BVI on 9 January 2017 with liability limited by shares and an indirect subsidiary of the Company
“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$0.52 per Offer Share and not less than HK\$0.38 per Offer Share at which the Offer Shares are to be subscribed for and issued pursuant to the Share Offer, to be determined as described under the paragraph headed “Structure and conditions of the Share Offer — Pricing and allocation — Determining the Offer Price” in this prospectus

## DEFINITIONS

“Offer Shares”	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 33,750,000 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-allotment in the Placing
“Over-allotment Option”	the option expected to be granted by our Company to the Placing Underwriters, exercisable by Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) subject to the terms and conditions of the Placing Underwriting Agreement pursuant to which our Company may be required to allot and issue up to an aggregate of 33,750,000 additional Offer Shares (representing 15% of the initial number of the Offer Shares) to cover over-allocations in the Placing and/or to satisfy the obligation of the Stabilising Manager to return securities borrowed under the stock borrowing agreement, particulars of which are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing”	the conditional placing of the Placing Shares by the Underwriters with professional, institutional, corporate and/or other investors at the Offer Price, as further described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Shares”	the 202,500,000 Shares initially being offered by us for subscription at the Offer Price under the Placing (subject to reallocation as described in the section headed “Structure and conditions of the Share Offer” in this prospectus)
“Placing Underwriters”	the underwriters of the Placing that are expected to enter into the Placing Underwriting Agreement
“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing which is expected to be entered into by, among others, the Placing Underwriters, the executive Directors and the Company on or around the Price Determination Date, as further described in the section headed “Underwriting” in this prospectus
“PRC Legal Advisers”	Beijing Lei Jie Zhanda Law Firm

## DEFINITIONS

“Price Determination Agreement”	the agreement to be entered into between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company on or around the Price Determination Date to fix the Offer Price
“Price Determination Date”	the date, expected to be on or about Friday, 13 October 2017 (or such other date as may be agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and the Company, but in any event not later than Monday, 16 October 2017), on which the Offer Price is to be fixed
“Property Valuer”	Ascent Partners Valuation Service Limited
“Public Offer”	the offer by our Company of the Public Offer Shares for subscription by the public in Hong Kong as described in the section headed “Structure and Conditions of the Share Offer” in this prospectus for cash at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and on and subject to the terms and conditions stated herein and in the Application Forms relating thereto
“Public Offer Shares”	the 22,500,000 Shares initially being offered for subscription by our Company at the Offer Price under the Public Offer (subject to reallocation 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 paragraph headed “Underwriting — Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional public offer underwriting agreement dated 29 September 2017 relating to the Public Offer and entered into by our Company, our Controlling Shareholders, our executive Directors, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers and the Public Offer Underwriters, as further described in the section headed “Underwriting — Underwriting arrangements and expenses — Public Offer” in this prospectus
“Remuneration Committee”	the remuneration committee of the Board
“Reorganisation”	the corporate reorganisation of our Group conducted in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and corporate structure” to this prospectus

## DEFINITIONS

“Reorganisation Agreement”	the reorganisation agreement dated 31 March 2017 entered into between Mr. Li and our Company, pursuant to which our Company acquired the entire issued share capital of Infinite Merit from Mr. Li, and in consideration thereof, at the direction of Mr. Li, our Company allotted and issued as fully paid 999 Shares to Colourfield Global
“Reporting Accountants”	SHINEWING (HK) CPA Limited, Certified Public Accountants, the reporting accountants of our Company
“SFC” or “Securities and Futures Commission”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	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) of nominal or par value HK\$0.01 each in the share capital of our Company
“Shareholder(s)”	shareholder(s) of our Company from time to time
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 21 September 2017, the principal terms of which are summarised under the paragraph headed “Statutory and general information — D. Share Option Scheme” in Appendix V to this prospectus
“Sole Sponsor” or “Dakin Capital”	Dakin Capital Limited, a licensed corporation to carry on type 6 (advising on corporate finance) regulated activity as defined under the SFO, acting as the sole sponsor to our Company’s application for the Listing
“Stabilising Manager”	ChaoShang Securities Limited
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Tax Adviser”	SHINEWING Tax and Business Advisory Limited
“Track Record Period”	comprises the period for the three years ended 31 March 2017
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters

## DEFINITIONS

“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“U.S. dollar(s)” or “US\$” or “USD”	United States dollars, the lawful currency for the time being of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“ <b>WHITE</b> 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)
“ <b>YELLOW</b> 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
“%”	per cent.

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

*If there is any inconsistency between the Chinese names of entities and their English translations, the Chinese names shall prevail. The English translation of company names in Chinese or another language which are marked with “\*” and the Chinese translation of company names in English which are marked with “\*” is for identification purpose only.*

## GLOSSARY OF TECHNICAL TERMS

*This glossary contains explanations of certain terms and definitions used in this prospectus in connection with our Group and its business. The terms and their meanings may not correspond to standard industry meaning or usage of those terms.*

“bills of quantities”	a list of items included in a works contract providing description, quantity and the unit price of the work to be performed to provide a means of valuing the works performed by a contractor
“CAGR”	compound annual growth rate
“Construction Industry Council” or “CIC”	Construction Industry Council, the body established under the Construction Industry Council Ordinance (Chapter 587 of the Laws of Hong Kong)
“ELS”	excavation and lateral support, the system of construction works for the purposes of shoring support in the excavated area and, if applicable, drainage measures and avoidance of adverse effect on the adjacent structures or ground
“formwork”	the mould against which concrete is cast and which gives the shape and finish to the concrete surface
“Form 2”	the Notice by Employer of the Death of an Employee or of an Accident to an Employee Resulting in Death or Incapacity under Employees’ Compensation Ordinance (Chapter 282 of the Laws of Hong Kong)
“GDP”	gross domestic product
“HOKLAS”	Hong Kong Laboratory Accreditation Scheme, an accreditation scheme operated by Hong Kong Accreditation Service
“ISO”	an acronym for a series of quality management and quality assurance standards published by International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland, for assessing the quality systems of business organisations
“ISO 14001:2015”	an internationally recognised standard for the environmental management of businesses. It aims at recognising the desirable behaviour of businesses concerning the environment. It prescribes controls for an encompassing range of corporate activities which include the use of natural resources, handling and treatment of waste and energy consumption

## GLOSSARY OF TECHNICAL TERMS

“ISO 9001:2015”	an internationally recognised standard for a quality management system. It aims at the effectiveness of the quality management system in meeting customer requirements. It prescribes requirements for ongoing improvement of quality assurance in design, development, production, installation and servicing
“lateral support”	a type of structure support to help prevent sideways movement
“main contractor”	in respect of a construction project, a contractor appointed by the project employer or its construction consultant, who generally oversees the progress of the entire construction project and delegate different work tasks of the construction to other contractors
“NRMM”	non-road mobile machinery
“NRMM Regulation”	Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong)
“OHSAS”	Occupational Health and Safety Assessment Specification, an international assessment specification for occupation health and safety management systems
“OHSAS 18001:2007”	an internationally recognised specification for Occupational Health and Safety Management Systems. It specifies requirements for an occupational health and safety management system to enable an organisation to develop and implement a policy and objectives which take into account legal requirements and information about occupational risks and to improve their occupational safety and health performance
“pile”	a structural beam that is made of steel, concrete or timber which may be used in the construction of foundation
“pile cap”	a reinforced concrete structure built on top of a pile or a group of piles for transmission of loads to support the structure above
“private sector”	a composition of organisations that are not owned or operated by the Government and statutory bodies
“public sector”	a composition of organisations that are owned or operated by the Government or statutory bodies
“QPME”	Quality Powered Mechanical Equipment, a type of construction equipment that is notably quieter, more environmentally friendly and efficient

## GLOSSARY OF TECHNICAL TERMS

“Regulated Machine(s)”	any mobile machine(s) or transportable industrial equipment(s) (other than a vehicle of a class specified in Schedule 1 to the Road Traffic Ordinance (Chapter 374 of the Laws of Hong Kong) that is/are powered by an internal combustion engine with a rated engine power output that is greater than 19 kW but not greater than 560 kW
“schedule of rates”	a set of general regulations and special conditions governing the execution of work and payment for works performed
“sheet pile”	is normally a steel section with interlocking edges that is driven into the ground to provide earth retaining during excavation
“SOPL”	Security of Payment Legislation for the Construction Industry, details of which are set out in the section headed “Laws and regulations” in this prospectus
“SRS” or “Subcontractor Registration Scheme”	Subcontractor Registration Scheme (formerly known as Voluntary Subcontractor Registration Scheme) operated by the CIC
“strut”	a structural component designed to resist longitudinal compression force. It helps keep two components connected to the tips separate
“subcontractor”	in respect of a construction project, a subcontractor appointed by the main contractor or another subcontractor involved in the construction, who generally carries out specific work tasks of the construction
“Technical Circular”	Technical Circular (Works) No. 1/2015 issued by the Works Branch of Development Bureau, details of which are set out in the paragraph headed “Laws and regulations — Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the laws of Hong Kong)”

## FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management, as such they are by their nature subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies, plans, objectives and goals;
- the nature of, and potential for, future development of our business;
- various business opportunities that we may pursue;
- changes in competitive conditions and our ability to compete under these conditions;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory qualifications required to operate our business;
- future developments, trends and conditions in the industry and markets in which we operate;
- our future debt levels and capital needs;
- our financial conditions and performance; and
- our dividend.

The words “aim”, “anticipate”, “believe”, “can”, “could”, “expect”, “going forward”, “intend”, “may”, “might”, “plan”, “project”, “seek”, “should”, “will”, “would” and the negative forms of these words with similar expressions, as they relate to us, are intended to identify a number of these forward looking statements. These forward-looking statements reflecting our 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 the section headed “Risk Factors” in this prospectus. One or more of these risks or uncertainties may materialise.

Subject to the requirements of the Listing Rules, our Company does not have any obligation and does not undertake to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or developments 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. Hence, should one or more of these risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected. Accordingly, such statements are not a guarantee of future performance and you should not place undue reliance on such forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statement set out in this section.

## **FORWARD-LOOKING STATEMENTS**

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

## RISK FACTORS

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

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

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

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

**Our revenue is derived from our foundation and site formation works which are not recurring in nature and any decrease in the number of construction projects awarded to us would affect our operational and financial results**

Our engagements with our customers in our foundation and site formation works are on a project-by-project basis. As at the Latest Practicable Date, we did not enter into any long-term agreement or master service agreement with our customers. After completion of the current foundation and site formation works projects, our customers are not obliged to engage us again in subsequent foundation and site formation projects and we have to undergo the entire tender or quotation selection process for every new project. As such, our revenue derived from our foundation and site formation works is not recurring in nature.

We cannot assure you that our existing customers will award new foundation and site formation works projects to us, and there is no guarantee that we would be able to maintain our business relationships with our existing customers. In the event that we are unable to attract new customers or secure new foundation and site formation works projects from our existing customers, there may be a significant decrease in our revenue which may adversely affect our operational and financial results.

**We determine the price of our tender for construction projects based on the estimated time and costs involved in a construction project, and the actual time and costs incurred may exceed our estimate due to unexpected circumstances, thereby adversely affect our operations and financial results**

We determine the price of tender for construction projects based on our cost estimate plus a certain mark-up margin. For details of the factors we take into account when making our cost estimate, please refer to the section headed "Business — Pricing strategy" in this prospectus. However, the actual time

## RISK FACTORS

and costs incurred by us may be adversely affected by various factors, including: (i) unexpected geological conditions of the work sites; (ii) inclement weather conditions; (iii) disputes with customers, suppliers, subcontractors and other project parties; (iv) difficulties in retaining the necessary number of workers with requisite skills; (v) receipt of variation orders from our customers; and (vi) other unforeseen circumstances. Significant deviation in any of these factors or other relevant factors from our expectation may lead to delay in completion or costs overrun by us. There is no assurance that the actual time and costs incurred by us would match our initial estimate and such delays, cost overruns or mismatch of actual time and costs with our estimates may reduce our profitability or expose us to litigation or claims from customers in case of delays.

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

**Our Group had a concentration of customers during the Track Record Period and any decrease or loss of business from these major customers could adversely and substantially affect our operations and financial conditions**

For each of the three years ended 31 March 2017, our five largest customers during the Track Record Period accounted for approximately 94.1%, 96.5% and 95.4% respectively. These major customers may continue to account for similar or even higher proportion of our revenue in the future. In particular, our largest customer, Kin Wing Group accounted for approximately 61.4%, 74.0% and 66.2% of our revenues respectively. We expect to continue to derive a significant amount of revenue from Kin Wing Group in the near future given the long-term relationship and the contracts currently on hand with Kin Wing Group.

In light of the above, we face the risks associated with having customer concentration in the future. Furthermore, we generally do not enter into long-term contracts with our major customers. There is no assurance that any of our major customers will continue to engage us as they do currently, or engage us at the same contracting rate.

If there is any deterioration in our major customer's businesses, the number of contracts placed by them with us may also decline correspondingly.

If any of our major customers significantly reduces the number of contracts placed with us or ceases its business relationships with us, we cannot assure you that we would be able to find new customers to engage us on comparable terms, or at all, in which case our business, operating results and financial condition may be materially and adversely affected. In the event of defaulting payments by any of our major customers, we may be unable to recover a significant amount of receivables and thus our cash flows, business and financial position could be adversely affected.

## RISK FACTORS

### **Our Group may not be able to maintain or increase our success rate of the projects tendered**

For each of the three years ended 31 March 2017, our Group's success rate on project tendering was approximately 40.0%, 33.3% and 37.5%, respectively. There are a number of factors in determining the success rate on project tendering, such as the number of invitations to tender in each year and the tenders submitted by our Group's competitors for each project. As the contracts awarded are on a project-by-project basis, there is a risk that our Group may not be awarded with new contracts by our customers upon the completion of the current contracts. Hence, there is no assurance that our Group will be able to maintain or increase our success rate of attaining the engagement for projects tendered and quoted in the future. In the event that our Group is unable to maintain our success rate on project tendering, our Group's revenue and fairness operations may be materially and adversely impacted.

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

For each of the three years ended 31 March 2017, our revenue was approximately HK\$238.8 million, HK\$349.0 million and HK\$380.7 million, respectively. For the same period, our net profit was approximately HK\$11.8 million, HK\$21.3 million and HK\$23.4 million respectively. For each of the three years ended 31 March 2017, our gross profit was approximately HK\$24.7 million, HK\$35.8 million and HK\$46.3 million respectively, whereas our gross profit margin for the same period was approximately 10.3%, 10.2% and 12.2% respectively. For discussion of our results of operation, please refer to the section headed "Financial information — Year-to-year comparison of results of operations" in this prospectus.

The inherent risk of using such historical financial information of us to project or estimate our financial performance in the future, is that they only reflect our past performance under particular conditions. We may not be able to sustain our historical growth rate, revenue and profit margin for various reasons, including, intensification of competition among foundation and site formation works subcontractors, aggravation in labour shortage, and other unforeseen factors such as adverse weather and geological conditions, any of which may delay the completion of our projects, reduce the number of projects awarded to us, and/or reduce the profit margin of our projects.

We cannot assure you that we will be able to achieve the same performance as we did during the Track Record Period. Investors should not solely rely on our historical financial information as an indication of our future financial or operating performance.

### **There is no guarantee that the Technical Circular or other similar administrative tools issued by the Government will not impose any negative impact on our Group**

Under the Technical Circular, certain exempted Regulated Machines comprising generators, air compressors, excavators and crawler cranes, under the NRMM Regulation in Hong Kong will be phased out progressively from 1 June 2015 and will not be allowed to be engaged in any new capital works contracts of public works including design and build contracts, with an estimated contract value exceeding HK\$200 million and tenders invited by 1 June 2019. For details of the NRMM Regulation and the Technical Circular, please refer to the section headed "Laws and Regulations" in this prospectus.

## RISK FACTORS

As at the Latest Practicable Date, our Group has 106 Regulated Machines in total and 76 of the Regulated Machines were granted exemption under the NRMM Regulation. The Technical Circular has been adopted by relevant works departments of the Government and is related directly to the contractual terms in the contracts between the Government and the main contractors in the construction industry. Our Directors consider that the Technical Circular may have an indirect impact to public projects that our Group plans to be involved in when the main contractors mirror the terms in the main contracts to the subcontracts with us. For illustration, our public projects accounted for approximately 20.9%, 40.4%, and 37.1% of our Group's revenue from foundation and site formation works respectively for each of the three years ended 31 March 2017. We plan to spend approximately HK\$29.8 million to acquire approved NRMMs to enhance our machinery fleet and to comply with the phase out plan in the Technical Circular. The impact of such acquisitions on the depreciation charges for each of the five years ending 31 March 2022 amounts to approximately HK\$0.8 million, HK\$3.1 million, HK\$5.5 million, HK\$6.0 million and HK\$6.0 million respectively. Nonetheless, we cannot guarantee that the Government will not extend the scope or interpretation of the Technical Circular or issue other similar administrative tools which will cause any potential impact to our business operation, if there is such a case, our business, financial position, results of operations and prospects may be materially and adversely affected.

### **We may be subject to penalty or surcharge imposed by the Inland Revenue Department of Hong Kong (the “IRD”) for undercharged tax**

As disclosed in the subsection headed “Financial Information — Tax payable” in this prospectus, we had identified errors in the financial statements of our operating subsidiaries, Lik Shing Construction, Lik Shing Engineering and Lik Shing Construction Engineering (collectively known as the “**Operating Companies**”), for the years prior to the year ended 31 March 2017. As a result of the foregoing, there was misstatement in the assessable profits or tax loss reported in the tax returns filed to the IRD for the relevant years by the Operating Companies. Based on the Tax Opinion, longitudinally from 2012/13 to 2015/16, the net additional tax liabilities attributable to Lik Shing Engineering is HK\$1,338,493, whereas the revised tax loss carried forward to 2016/17 for Lik Shing Construction and Lik Shing Construction Engineering are HK\$231,766 and HK\$695,249 respectively.

The Operating Companies rectified their financial statements for the applicable years and voluntarily submitted their revised tax computations to the IRD with rectified financial figures on 2 May 2017. However, there is a risk that the Operating Companies may be charged by the IRD under sections 80(2) or 82A of the Inland Revenue Ordinance (the “**IRO**”). The maximum exposure under institution of section 80(2) of the IRO is a fine of HK\$10,000 and treble the amount of tax undercharged. The maximum exposure under institution of section 82A of the IRO is a fine of treble the amount of tax undercharged. Accordingly, the potential exposure of Lik Shing Engineering is approximately HK\$4 million whilst the respective exposure of Lik Shing Construction and Lik Shing Construction Engineering was HK\$10,000 for each company as there was no additional tax payable by Lik Shing Construction and Lik Shing Construction Engineering. We may also be alternatively liable to pay interest for the undercharged tax as proposed under section 80(5) of the IRO, and subject to the assessment and acceptance by the IRD, Lik Shing Engineering may be subject to estimated interest of HK\$129,000 based on the opinion of the Tax Adviser. With respect to the telephone conversation between the IRD case assessor of Lik Shing Engineering and our Tax Adviser on 5 July 2017, the respective IRD case assessor verbally requested Lik Shing Engineering to submit additional information to facilitate their review of Lik Shing Engineering's submission on 2 May 2017. The Tax Adviser has submitted the respective additional information as requested to the IRD on 9 August 2017. Thereafter,

## RISK FACTORS

the IRD case assessor has discussed with our Tax Adviser several times regarding calculation of the interest element arising from the delay in payment of profits tax liabilities of Lik Shing Engineering for 2013/14 and 2015/16. The IRD case assessor was of the view that, subject to their further consideration on the acceptance of the proposal, the proposed interest should be revised to HK\$291,000 based on a longer period of underpayment of tax as envisaged by the IRD. We have agreed to the adjustments proposed by the IRD and the Tax Adviser has submitted a letter in relation to the revised estimated interest of HK\$291,000 in total (“**Revised Proposal**”) on 8 September 2017 on Lik Shing Engineering’s behalf. For details of the Tax Opinion, please refer to the sub-section headed “Financial Information — Tax payable” in this prospectus.

As at the Latest Practicable Date, the IRD has issued revised statement of loss for 2012/13, notices of additional assessment for 2013/14 and 2015/16 as well as notice of revised assessment and refund of tax for 2014/15 to Lik Shing Engineering which were in line with the relevant submissions to the IRD, the Revised Proposal is still currently under the review by the Commissioner of Inland Revenue. As such, the amount of any resulting penalty or surcharge are subject to the assessment of the IRD. Pending the acceptance of the Revised Proposal, there is no assurance that the IRD would not take any enforcement action against the Operating Companies in relation to the accounting and tax errors. If the IRD takes enforcement actions against the Operating Companies, and the tax penalty imposed exceeds substantially our expectation, our reputation and cash flow may be adversely affected.

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

We do not generally receive any sums as prepayment from our customers for our construction projects. Nonetheless, we have to incur various costs, including purchase costs of construction materials such as concrete mix and steel reinforcement, salary payments to our workers and progress payment to our subcontractors’ after commencement of our projects. As such, we are subject to credit risks of our customers and our liquidity is dependent on our customers making prompt progress payments and release of retention monies due to us. For details of the mechanisms of the progress payment and retention money, please refer to the section headed “Business — Customers — Major contract terms with our customers” in this prospectus.

For each of the three years ended 31 March 2017, the trade and retention receivables amounted to HK\$18.0 million, HK\$35.9 million and HK\$28.7 million respectively, whereas the respective trade and retention receivables accounted for approximately 33.0%, 51.0% and 32.6% of the total current assets respectively. Additionally, the trade receivable turnover days were approximately 14.9 days, 17.7 days and 17.3 days for the each of the three years ended 31 March 2017. For details of the fluctuations in our trade and retention receivables from customers and trade receivable turnover days, please refer to the section headed “Financial information — Analysis of certain items from the statements of financial position — Trade and other receivables” in this prospectus. We cannot assure you that we will be able to recover all or any part of the amounts due from our customers or that we will be able to collect all or any part of the retention receivable from our customers within the agreed credit terms.

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

## RISK FACTORS

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

We will delegate specific work tasks to different subcontractors from time to time. We also rely on construction machinery to carry out our operations, and need to purchase diesels for our construction machinery to complete our subcontract works. We also need to incur repair and maintenance costs for our machinery fleet. As such, we would record significant cash outflow in the event that we take up too many projects at a particular period of time.

For each of the three years ended 31 March 2017, the trade payables amounted to approximately HK\$11.0 million, HK\$9.3 million and HK\$13.6 million respectively, whereas the respective trade payables accounted for approximately 22.6%, 21.6% and 30.2% of the total current liabilities respectively. In addition, the average trade payable turnover days were 20.1 days, 14.8 days and 15.5 days for the each of three years ended 31 March 2017. For details of the fluctuations in our trade payables to our suppliers and the trade payable turnover days, please refer to the section headed “Financial information — Analysis of certain items from the statements of financial position — Trade and other payables” in this prospectus.

We rely on cash inflow from our customers to meet our payment obligations to our suppliers. As discussed in the preceding paragraph above, our cash inflow is dependent on prompt settlement of progress payments, and timely release of retention monies by our customers. Nevertheless, even if our customers settle such payments on time and in full, there can be no assurance that we would not experience any significant cash flow mismatch. Further, there can be no assurance that our cash flow management measures could function properly or at all. If there were any significant and substantial cash flow mismatch, we might have to raise funds by resorting to equity financing and/or banking facilities in order to meet our payment obligations in full and on time.

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

In some projects, our contracts may set out the due date of the foundation and site formation works. If we fail to complete the works on or before the due date, we may be required to compensate our customers according to the mechanism stated in our contracts, unless they agree to grant us time extension to complete the remaining works.

Our foundation and site formation works may be delayed or disrupted due to unforeseen circumstances that are beyond our expectation or control, including: (i) unexpected geological conditions of the work sites; (ii) inclement weather conditions; and/or (iii) other construction risks such as work injuries and disputes with customers, suppliers, subcontractors and other project parties.

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

## RISK FACTORS

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

As a subcontractor of foundation and site formation works, we may be subjected to claims in relation to defects of our works. In general, our customers require us to provide a defect liability period, during which we will remain responsible for remedying any defects or imperfections discovered in relation to our works done. Such remedial actions may range from maintenance to minor repair works. In the event that substantive remedial actions were required, we may have to incur significant time and costs or be subject to claims from our customers against us. If we fail to make good the defects as required, our customers may reduce or forfeit the retention monies withheld from us and further claim damages from us.

**We were involved in three ongoing legal proceedings against us as at the Latest Practicable Date. If we were found liable, we might have to make compensations, incur significant financial loss, and suffer damage to our reputation**

As at the Latest Practicable Date, we were involved in three ongoing legal proceedings. We were also subject to certain potential litigations. For details, please refer to the section headed “Business — Litigation and potential claims” of this prospectus.

If any claims against us fall outside the scope and/or limit of our insurance coverage, our financial position may be adversely affected. Regardless of the merits of any outstanding and potential claims, we need to divert management resources and incur extra costs to handle these claims, which could affect our corporate image and reputation in the construction industry if they are published by the press.

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

**We rely on our staff and subcontractors to oversee the implementation of safety measures and procedures and it is not uncommon in our industry to have occurrence of accidents causing injury to our or our subcontractors’ employee. Our performance may be adversely affected by such disputes and litigation**

We rely on our staff and subcontractors to oversee the implementation of work safety measures and procedures. Please refer to the section headed “Business — Occupational health and safety” in this prospectus for the details of work safety measures and procedures adopted by our Group.

We cannot guarantee that all of the work safety measures and procedures are strictly adhered to at all time nor can we assure you that our safety measures and procedures are sufficient to prevent the occurrence of industry accidents of all kinds. Further, it is not uncommon in our industry to have occurrence of accidents causing injury to our or our subcontractors’ employees, which may subsequently give rise to the corresponding employees’ compensation claims and common law personal injury claims. We may be in disputes with the injured persons in respect of our responsibilities in connection with the accidents for various reasons. Such disputes may be in connection with contributory negligence of such

## RISK FACTORS

injured person or whether the accident occurred during his/her employment with us or our respective subcontractor. Please refer to the section headed “Business — Occupational health and safety” in this prospectus for further information on occurrence of accidents during the Track Record Period and up to the Latest Practicable Date.

The occurrence of accidents and the subsequent disputes and litigations, in particular when the claims against our Group fall outside the scope and/or limit of our insurance coverage, may result in significant financial loss, damages to our reputation in the construction industry, and adversely affect our financial conditions. Further, the handling of accidents and subsequent claims, litigations and other legal proceedings may sometimes involve a high degree of our management’s attention and input. Handling of litigations and legal proceedings can be both costly and time-consuming, and may significantly divert the efforts and resources of our management and adversely affect our business operations.

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

We may be involved in disputes with our customers, suppliers, subcontractors and other project parties from time to time in relation to various matters including delay in completion of foundation and site formation works, complaints about the quality of completed works and damages to construction machinery rented to our customers.

Further, disputes may arise between us and the main contractor or employer as to the value of work properly done in a particular period and the progress payment that we are entitled to in the relevant period. In some projects, the subcontracts may contain a variation clause which allows the employers of the construction project and/or the main contractors to vary the subcontract works. The value of such variation works is generally ascertained with reference to the rates and prices specified in the subcontract for the like or analogous work and/or the prevailing market rate. In the event that we disagree with such valuation results, contractual disputes with our customers may arise.

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

**Our operations are exposed to risks customary to the construction industry and our existing insurance coverage may not provide our Group with adequate protection against these risks**

Our insurance may not fully cover all the potential loss and claims arising from our operation. Typical claims such as accidents and personal injuries suffered by workers retained by us and our subcontractors are generally covered by the insurance policy maintained by the main contractors of the construction projects. As to our construction machinery deployed in the work sites, we are generally required to maintain our own insurance policy. For details, please refer to the section headed “Business — Insurance” in this prospectus.

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

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

With respect to loss and claims which are covered by our insurance policies, it may be a difficult and lengthy process to recover such losses from our insurers. In addition, we may not be able to recover the full amount of such loss from the insurer. We cannot assure you that our policies would be sufficient to cover all potential loss, regardless of the cause, or that we can recover such losses from our insurers.

### **We rely on key management personnel**

Our success and growth is, to a large extent, attributable to the continued commitment of our executive Directors and our senior management team and our capability to identify, hire, retain suitable and qualified employees, including management personnel with the necessary industry expertise as described in the section headed “Directors and senior management” in this prospectus. Our Directors and members of senior management, in particular, our executive Directors, are important to us as they have extensive experience and business connections in the construction industry in Hong Kong. Any unanticipated departure of our Directors and/or our senior management team without appropriate replacement may have a material adverse impact on our business operations and profitability.

### **Our foundation and site formation works require substantive labour input. If we or our subcontractors experience any shortage of labour, industrial actions, strikes or material increase in labour costs, our operations and financial results would be adversely affected**

We rely on a stable supply of labour to carry out our foundation and site formation works. In particular, we require a large number of construction workers with various skills and expertise, machine operators and construction vehicle drivers. According to the Ipsos Report, however, Hong Kong has been experiencing a shortage of skilled labour in the construction industry and the issue of aging workers in the Hong Kong construction industry has become a persisting problem. In March 2016, 43.1% of the 376,000 registered workers were over the age of 50 and it has been estimated by the Construction Industry Council that the field is short of approximately 10,000 to 15,000 workers. The problem has become serious with increasing demand for construction workers from China and Macau since the commencement of large-scale construction projects in these countries.

In view of the current situation in the labour market, we cannot assure you that we will not experience any material shortage of labour, industrial actions, strikes or material increase in labour costs in the future, in which case we may need to offer better remuneration packages and other benefits to attract and retain key personnel and skilled labour. There can be no assurance that we will possess sufficient resources for such purpose. If we cannot retain or recruit sufficient number of skilled workers to handle our construction projects in a timely manner, we may experience delay in project completion and our ability to handle future construction projects would be significantly reduced consequently.

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

Our Group did not declare any dividend for the three years ended 31 March 2017. There is no assurance that our Group will declare dividends. The declaration, payment and amount of any future dividends are subject to the discretion of our Board depending on, among other things, our Group's earnings, financial condition and cash requirements and the provisions governing the declaration and distribution as contained in the Articles of Association, applicable laws and other relevant factors. For details of our dividend, please refer to the section headed "Financial information — Dividend" in this prospectus. We cannot assure investors when or whether we will pay dividends in the future.

### **Our landlords may terminate the tenancy agreements with us and we may have to relocate for alternatives**

We have entered into the tenancy agreements for two pieces of land in Yuen Long, New Territories (namely, Land Lot Nos. 625 and 626 in D.D. 124) for the storage of our construction machinery.

In the event that we are unable to secure storage facilities for our construction machinery and other vehicles we may need to secure alternative and/or further storage space. As storage facilities and parking spaces have to be located on premises which can meet permitted land use requirements, such premises may not be immediately available when needed.

### **Failure to invest in suitable machinery may adversely affect our market competitiveness**

Our capacity to carry out works for our customers depends on, among others, the availability of our machinery. Included in the section headed "Business — Our machinery" in this prospectus are the details relating to our machinery. If we fail to stay abreast of market trends and invest in suitable machinery to cope with changing customer demands and specifications, our overall competitiveness and financial position and operation results may be adversely affected. For details about our plans on acquiring machinery, please refer to the section headed "Future plans and use of proceeds" in this prospectus.

### **We plan to expand our capacity by acquiring machinery, which may result in an increase in depreciation expenses, machinery operator costs, repair and maintenance costs and cash flow used in investing activities and may adversely affect our operating results and financial position**

We rely heavily on the use of machinery, including excavators, air compressors, generators and loaders. For each of the three years ended 31 March 2017, our Group acquired machinery of approximately HK\$8.8 million, HK\$4.4 million and HK\$10.9 million, respectively. To expand our working capacity and scale, we currently intend to apply approximately 39.1% of the net proceeds from the Share Offer i.e. approximately HK\$29.8 million to expand our fleet of machinery. As a result of the acquisition of machinery by the use of such net proceeds, our cash flow used in investing activities is expected to increase by approximately HK\$7.7 million, HK\$11.3 million and HK\$10.9 million respectively for each of the three years ending 31 March 2020 (based on the Offer Price of HK\$0.45 per Offer Share, being the mid-point of the indicative Offer Price range). Our Directors further estimate that assuming all other things remain unchanged, our depreciation expenses will increase and our gross profit will reduce by approximately HK\$0.8 million, HK\$3.1 million and HK\$5.5 million per annum

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respectively for each of the three years ending 31 March 2020 (based on the Offer Price of HK\$0.45 per Offer Share, being the mid-point of the indicative Offer Price range). Accordingly, our operating results and financial position may be adversely affected.

### **The appraisal value of our property may be different from their actual realizable value and are subject to uncertainty or change**

The property valuation report set out in Appendix III to this prospectus with respect to the appraised value of our properties is based on various assumptions, which are subjective and uncertain in nature. The assumptions that the Property Valuer used in the property valuation report include: (i) the seller sells the property interests on the open market in their existing states without the benefit of a deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements, which could serve to affect the values of the property interests; (ii) no allowance has been made in the valuation for any charges, mortgages or amount owing on any property interests nor for any expense or taxation which may be incurred in effecting a sale; (iii) the properties are free from encumbrances, restrictions and outgoing of an onerous nature which could affect their value; (iv) the property has been constructed, occupied and used in full compliance with, and without contravention of all laws, except only where otherwise stated; (v) for any use of the property upon which the property valuation report is based, all required licenses, permit, certificate and authorizations have been obtained; (vi) other special assumptions of the property interests, if any, have been stated out in the footnotes of the valuation certificate attached to the property value report.

Certain of the assumptions used by the Property Valuer in reaching the appraised value of our properties may be inaccurate. Thus, the appraised value of our properties should not be taken as their actual realizable value or a forecast of their realizable value. Unexpected changes to our properties and to the national and local economic conditions may affect the value of these properties. You should not place undue reliance on such appraised value attributable to these properties by the Property Valuer.

### **Our future contracts may be caught by the proposed SOPL for the construction industry**

The Government is currently finalising the framework of the SOPL which the Government aims to cover all construction activities and maintenance, repair and renovation works in the public sector. In the private sector, only construction contracts relating to a “new building” as defined by the Building Ordinance of which the main contract has an original value in excess of HK\$5 million will be covered by the SOPL in the consultation stage. Once the SOPL comes into effect, it will prohibit contract terms in both main contracts and subcontracts that make payment conditional upon the receipt of payment from a third party and payment periods of more than 60 calendar days for interim payments and 120 calendar days for final payments. Further, amounts due for foundation and site formation works can be claimed as statutory payment claims and parties may be granted the right to suspend the performance of works until the relevant payment is made. For more details in relation to the SOPL, please refer to the paragraphs headed “Laws and regulations — Laws expected to come into force which may impact our business — SOPL for the construction industry” in this prospectus.

In the event that our future contracts are caught by the SOPL, we will be required to pay the subcontractors within 60 calendar days for interim payments and 120 calendar days for final payments even before we are paid by our customers. The passing of the SOPL exposes us to the risk that if multiple customers delay in payment simultaneously, we will need to pay our subcontractors interim and final payments within the specified periods under the SOPL or they may be granted the right to suspend

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the performance of works until the relevant payment is made. As we generally rely on the cash inflow from our customers to meet our payment obligations of our suppliers and subcontractors, a significant delay in payment may create pressure on our cash flows and even affect our financial capacity to undertake new projects.

Further, the SOPL is subject to the finalization of the legislation framework and the legislation process by the Government which the SOPL may be subject to further changes. We cannot assure you that the Government will not extend or modify the scope or interpretation of the SOPL which will cause potential impact to our business operation, if there is such a case, our business, financial position and prospects may be adversely affected.

### **Our Group's operations may be affected by inclement weather conditions and are subject to other construction risks**

Most of our business operations are conducted outdoors and are susceptible to inclement weather. If the inclement weather persists or natural disasters occur, we may be prohibited from performing work at our construction sites, and as a result, we may not be able to meet the specified time schedule. If we have to halt operations during inclement weather or natural disasters, we may continue to incur plant idling, maintenance and operating expenses such as labour costs and overheads. If our project is delayed and the terms of the contract do not accommodate for such delays or our customers do not grant us with a sufficient time extension for the completion, we may be liable to pay for any liquidated damages to our customers according to the relevant contract terms, which will adversely affect our financial results.

### **We are subject to interest rate risk**

We have bank borrowings and obligation under finance lease of approximately HK\$14.7 million, HK\$12.7 million, and HK\$14.0 million as at 31 March 2015, 2016 and 2017 respectively, which are subject to interest rate risks. Some of the banking facilities carry a floating interest rate and our Group is subject to the cash flow interest rate risk. The ranges of effective interest rates on bank borrowings as at 31 March 2015, 2016 and 2017 were ranged from 4.9% to 7.5%, 4.9% to 5.7% and 2.6% to 4.8% per annum, respectively. During the Track Record Period and up to the Latest Practicable Date, our Group has not hedged any such cash flow interest rate risks.

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

### **Changes in existing laws, regulations and Government policies, including the introduction of more stringent laws and regulations on environment protection and labour safety may cause us to incur substantial additional expenditure**

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

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### **We are subject to environmental liability**

Our business in Hong Kong is subject to the environmental regulations and guidelines issued by the Hong Kong Government, which apply to the operation of all construction projects in Hong Kong. Such regulations and guidelines may be revised by the Government from time to time to reflect the latest environmental needs. Any changes to such regulations and guidelines may increase our cost and burden in complying with them.

### **Market conditions and trends in the construction industry and overall economy will affect our performance**

All of our operations and management were located in Hong Kong during the Track Record Period. The continued availability of large construction projects will affect the future growth and level of profitability of the construction industry in Hong Kong. The nature, extent and timing of such projects will, however, be determined by a variety of factors such as the land supply in Hong Kong, public housing policy, the Government's budgets, the investment of property developers and the general conditions and prospects of Hong Kong's economy. They may affect the availability of construction projects from the public sector, private sector or other institutional bodies.

Other than the Government's public spending, other factors can affect the construction industry as well, such as cyclical trends in the economy as a whole, fluctuations in interest rates and the availability of new projects in the private sector. If there is any recession in Hong Kong, deflation or any changes in Hong Kong's currency policy, or if the demand for foundation and site formation works in Hong Kong deteriorates, our operations and profitability could be adversely affected.

### **We operate in a highly competitive market**

The construction industry is highly competitive. There are a significant number of industry players who provide similar services to ours. Our foundation and site formation work business segment contributes HK\$215.1 million, HK\$332.3 million, and HK\$360.5 million which is approximately 90.1%, 95.2% and 94.7% of our revenue in each of the three years ended 31 March 2017. According to the Ipsos Report, there were 324 subcontractors registered at the Construction Industry Council under the group of foundation and piling in April 2017. Some of our competitors may have certain advantages, including stronger brand names, greater access to capital, longer operating history, longer and more established relationship with main contractors, and greater marketing and other forms of resources. Further, new participants may enter the industry as they wish provided that they possess all the relevant licences and qualifications required.

Our Group contributed to approximately 1.5% of the total revenue in the construction industry in Hong Kong in 2016. If the competition among foundation and site formation work subcontractors intensifies, we may be under pressure to reduce our quotation or tender price, which would have an adverse impact on our project profitability and operating results. We cannot guarantee that we can cope with the enhanced competition in the future or that we can maintain our current position in the industry.

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

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

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

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

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

### **RISKS RELATING TO THE SHARE OFFER**

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

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

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

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including variations in the level of liquidity of our Shares; changes in securities analysts' (if any) estimates of our financial performance; investors' perceptions of our Group and the general investment environment; changes in laws, regulations and taxation systems which affect our operations; and the general market conditions of the securities markets in Hong Kong. In particular, the trading price performance of our competitors whose securities are listed on the Stock Exchange may affect the trading price of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

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

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

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

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

The Offer Price is higher than the net tangible asset value per Share. Hence, investors of our Offer Shares will experience an immediate dilution in the unaudited pro forma adjusted net tangible asset value to HK\$0.15 and HK\$0.18 per Share based on the Offer Price at HK\$0.38 and HK\$0.52 per Offer Share respectively.

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

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

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

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

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

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

Our Company is incorporated in the Cayman Islands and its affairs are governed by, among others, the Articles of Association, the Companies Law and common law applicable in the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or other jurisdictions where investors may be located. As a result, minority Shareholders may not enjoy the same rights as pursuant to the laws of Hong Kong or such other jurisdictions. A summary of the Cayman Islands company law on protection of minority Shareholders is set out in Appendix IV to this prospectus.

## **RISKS RELATING TO THE STATEMENT IN THIS PROSPECTUS**

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

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

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

Certain facts, forecast and other statistics in this prospectus are derived from various government and official resources. However, our Directors cannot guarantee the quality or reliability of such source materials. We believe that the sources of the said information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no

## RISK FACTORS

reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. Nevertheless, such information has not been independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such facts and statistics. Further, we cannot assure our investors that they are stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. In all cases, our investors should consider carefully how much weight or importance should be attached to or placed on such facts or statistics.

### **Forward-looking statements contained in this prospectus are subject to risks and uncertainties**

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

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purposes of giving information with regard to our Group.

Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all materials respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this prospectus misleading.

### **PUBLIC OFFER, UNDERWRITING AND INFORMATION ON THE SHARE OFFER**

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

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Share Offer or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers and the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Share Offer.

The Listing is sponsored by the Sole Sponsor. The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Joint Bookrunners (for themselves and on behalf of the Underwriters) agreeing on the Offer Price. A Placing Underwriting Agreement relating to the Placing is expected to be entered into on or around 16 October 2017, subject to the Offer Price being agreed. The Share Offer is managed by the Joint Lead Managers.

If, for any reason, the Offer Price is not agreed among us and the Joint Bookrunners (for themselves and on behalf of the Underwriters), the Share Offer will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

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

The procedures for applying for Public Offer Shares are set out in the section headed “How to apply for the Public Offer Shares” in this prospectus and in the relevant Application Forms.

### **STRUCTURE 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.

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

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

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus and/or Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

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

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus pursuant to the Share Offer (including Shares to be issued pursuant to the Capitalisation Issue and Shares which may fall to be issued upon the exercise of any of the Adjustment Options and any options that may be granted under the Share Option Scheme).

Save as disclosed in this prospectus, 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 be sought in the near future.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the Offer Shares on the Stock Exchange is 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 by the Stock Exchange.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, 20 October 2017. The Shares will be traded in board lots of 6,000 Shares each. The stock code of the Shares will be 6080.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

### **ADMISSION OF THE SHARES INTO CCASS**

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

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

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

### **REGISTER OF MEMBERS AND STAMP DUTY**

Our Company's principal share register will be maintained by our principal share registrar, Estera Trust (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong branch register of members will be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

All Offer Shares will be registered on the Hong Kong branch register of members of our Company in Hong Kong. Dealings in the Shares registered on our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required)

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on the register of members of our Company, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder of our Company entitled, or in the case of joint Shareholders, to the registered address of that one whose name stands first in the register of members in respect of the joint holding, or to such person and to such address as the holder or joint holders may in writing direct, in accordance with the Articles.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of our Group, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Share Offer accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

### **ROUNDING**

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of individual items. Where information is presented in thousands or millions of units, amounts may have been rounded up or down. Any discrepancies in any table between totals and sums of individual amounts listed in any table are due to rounding.

Unless otherwise specified, all references to any shareholdings in our Company assume none of the Adjustment Options is exercised.

### **LANGUAGE TRANSLATION**

The English language version of this prospectus has been translated into the Chinese language and English and Chinese versions of this prospectus are being published separately. If there should be any inconsistency between the English and Chinese versions, the English version shall govern.

### **CURRENCY TRANSLATIONS**

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

US\$1.00: HK\$7.78

No representation is made that any amount in US\$ and HK\$ can be or could have been converted at the relevant dates at the above exchange rate or at any other rate.

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### DIRECTORS

Name	Residential Address	Nationality
<i>Executive Directors</i>		
Mr. Li Cheuk Kam (李灼金)	Flat A, 48/F, Tower 1 City Point 48 Wing Shun Street Tsuen Wan New Territories Hong Kong	Chinese
Mr. Li Kun Yee (李灌宜)	House 329 Eden Villa 301-338 Mai Po San Tsuen New Territories Hong Kong	Chinese
Mr. Li Wai Fong (李偉芳)	Room B, 5/F Block C Tian Yuan Mei Lin Ju Zhong Kang Road Fu Tian District Shenzhen City Guangdong Province PRC	Chinese
Mr. Liauw Hung (廖鴻)	Unit E, 53/F, Tower 9 Bellagio Sham Tseng New Territories Hong Kong	British
<i>Independent non-executive Directors</i>		
Mr. Wong Chik Kong (黃植剛)	Room 6, 14/F King Wing Building Whampoa Estate Hung Hom Kowloon Hong Kong	Chinese
Mr. Chan Chung Kik Lewis (陳仲戟)	Room 2907 Kam Wai House Kam Fung Court Ma On Shan New Territories Hong Kong	Chinese
Mr. Lee Kwok Lun (李國麟)	Flat F, 13/F, Block 6 Grand View Garden Hammer Hill Road Diamond Hill Hong Kong	British

*For further information, please refer to the section headed “Directors and senior management” in this prospectus.*

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### PARTIES INVOLVED IN THE SHARE OFFER

#### Sole Sponsor

##### **Dakin Capital Limited**

Room 2701, Admiralty Centre

Tower 1, 18 Harcourt Road

Admiralty

Hong Kong

*(A licensed corporation carrying on type 6 (advising on corporate finance) regulated activity as defined under the SFO)*

#### Joint Bookrunners

##### **Ample Orient Capital Limited**

Room A, 17/F, Fortune House

61 Connaught Road Central

Central

Hong Kong

*(a licensed corporation carrying on type 1 (dealing in securities) regulated activity as defined under the SFO)*

##### **ChaoShang Securities Limited**

Rooms 4001–4002

China Resources Building

26 Harbour Road

Wanchai

Hong Kong

*(a licensed corporation carrying on type 1 (dealing in securities) and type 2 (dealing in future contracts) regulated activities as defined under the SFO)*

#### Joint Lead Managers

##### **Ample Orient Capital Limited**

Room A, 17/F

Fortune House

61 Connaught Road Central

Central

Hong Kong

*(a licensed corporation carrying on type 1 (dealing in securities) regulated activity as defined under the SFO)*

##### **ChaoShang Securities Limited**

Rooms 4001–4002

China Resources Building

26 Harbour Road

Wanchai

Hong Kong

*(a licensed corporation carrying on type 1 (dealing in securities) and type 2 (dealing in future contracts) regulated activities under the SFO as defined under the SFO)*

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### **Pacific Foundation Securities Limited**

11/F, New World Tower II

16–18 Queen’s Road Central

Hong Kong

*(a licensed corporation carrying on type 1 (dealing in securities) and type 9 (asset management) regulated activities as defined under the SFO)*

### **Head & Shoulders Securities Limited**

Room 2511, 25/F, Cosco Tower

183 Queen’s Road

Hong Kong

*(a licensed corporation carrying on type 1 (dealing in securities) and type 4 (advising on securities) regulated activities as defined under the SFO)*

### **Supreme China Securities Limited**

Suite 2701–2, 27/F

Everbright Centre 108 Gloucester Road

Wanchai

Hong Kong

*(a licensed corporation carrying on type 1 (dealing in securities) regulated activity as defined under the SFO)*

### **Co-Lead Managers**

### **China-Hong Kong Link Securities Company Limited**

19/F 80 Gloucester Road

Wan Chai

Hong Kong

*(A licensed corporation carrying on type 1 (dealing in securities) regulated activity as defined under the SFO)*

### **Grand Partners Securities Limited**

9/F, Connaught Harbourfront House

35–36 Connaught Road West

Hong Kong

*(A licensed corporation carrying on type 1 (dealing in securities) regulated activity as defined under the SFO)*

## DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER

### Legal advisers to our Company

*As to Hong Kong law*

**TC & Co.**

*Solicitors, Hong Kong*

Units 2201–3, 22/F

Tai Tung Building

8 Fleming Road

Wanchai

Hong Kong

*As to Hong Kong law*

**Ms. Ng Wing Shan Queenie**

*Barrister-at-law*

Rooms 2203 A&B, Fairmont House

8 Cotton Tree Drive

Central

Hong Kong

*As to Cayman Islands law*

**Appleby**

2206–19 Jardine House

1 Connaught Place

Central

Hong Kong

*As to PRC law*

**Beijing Lei Jie Zhanda Law Firm**

6/F., Office Tower B

East Gate Plaza

29 Dong Zhong Street

Dongcheng District

Beijing 100027, PRC

### Legal adviser to the Sole Sponsor and the Underwriters

*As to Hong Kong law*

**D. S. Cheung & Co.**

*Solicitors, Hong Kong*

29/F., Bank of East Asia Harbour View Centre

56 Gloucester Road

Wanchai

Hong Kong

### Reporting accountant and auditor

**SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

43rd Floor

Lee Garden One

33 Hysan Avenue

Causeway Bay

Hong Kong

<b>DIRECTORS AND PARTIES INVOLVED IN THE SHARE OFFER</b>
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<b>Tax Adviser</b>	<b>SHINEWING Tax and Business Advisory Limited</b> <i>Certified Public Accountants</i> 43rd Floor Lee Garden One 33 Hysan Avenue Causeway Bay Hong Kong
<b>Property Valuer</b>	<b>Ascent Partners Valuation Service Limited</b> Suite 2102, 21/F Hong Kong Trade Centre 161–167 Des Voeux Road Central Hong Kong
<b>Internal Control Consultant</b>	<b>CT Partners Consultants Limited</b> Unit 1601A, 16/F Tower 6, China Hong Kong City 33 Canton Road, Tsim Sha Tsui Kowloon, Hong Kong
<b>Receiving bank</b>	<b>Bank of Communications Co., Ltd. Hong Kong Branch</b> 20 Pedder Street Central Hong Kong

## CORPORATE INFORMATION

<b>Headquarter and principal place of business in Hong Kong</b>	Room 3404A Cable TV Tower 9 Hoi Shing Road Tsuen Wan New Territories Hong Kong
<b>Registered office in the Cayman Islands</b>	P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Company's website address</b>	<b><a href="http://www.wingchiholdings.com">www.wingchiholdings.com</a></b> <i>(information on this website does not form part of this prospectus)</i>
<b>Company secretary</b>	Ms. Li Mei Wai ( <i>CPA (Practising)</i> ) Flat L, 5/F, Block 4 Tsui Lai Garden Sheung Shui New Territories Hong Kong
<b>Authorised representatives</b>	Mr. Li Cheuk Kam Flat A, 48/F, Tower 1 City Point 48 Wing Shun Street Tsuen Wan New Territories Hong Kong  Ms. Li Mei Wai ( <i>CPA (Practising)</i> ) Flat L, 5/F, Block 4 Tsui Lai Garden Sheung Shui New Territories Hong Kong
<b>Audit Committee</b>	Mr. Chan Chung Kik Lewis ( <i>Chairman</i> ) Mr. Wong Chik Kong Mr. Lee Kwok Lun
<b>Remuneration Committee</b>	Mr. Wong Chik Kong ( <i>Chairman</i> ) Mr. Chan Chung Kik Lewis Mr. Lee Kwok Lun Mr. Li Cheuk Kam

## CORPORATE INFORMATION

<b>Nomination committee</b>	Mr. Li Cheuk Kam ( <i>Chairman</i> ) Mr. Chan Chung Kik Lewis Mr. Wong Chik Kong Mr. Lee Kwok Lun
<b>Cayman Islands principal share registrar and transfer office</b>	Estera Trust (Cayman) Limited P.O. Box 1350 Clifton House 75 Fort Street Grand Cayman KY1-1108 Cayman Islands
<b>Hong Kong branch share registrar and transfer office</b>	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
<b>Compliance adviser</b>	Dakin Capital Limited Room 2701, Admiralty Centre Tower 1, 18 Harcourt Road Admiralty Hong Kong <i>(A licensed corporation carrying on type 6 (advising on corporate finance) regulated activity under the SFO)</i>
<b>Principal banks</b>	The Bank of East Asia, Limited 10 Des Voeux Road Central Hong Kong  Nanyang Commercial Bank, Ltd. 151 Des Voeux Road Central Hong Kong

## INDUSTRY OVERVIEW

*We have extracted and derived the information and statistics in the section below, unless otherwise specified, from the Ipsos Report. We believe that the sources of the information and statistics in this section are appropriate sources for such information and statistics and have taken reasonable care in the extraction and reproduction of such information and statistics. We have no reason to believe that such information and statistics is false or misleading or that any fact has been omitted that would render such information and statistics false or misleading. The information in this section has not been independently verified by us, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Underwriters, any of our or their respective affiliates, directors or advisers or any other persons or parties involved in the Share Offer except Ipsos, and no representation is given as to its completeness, accuracy or fairness. Accordingly, you should not place undue reliance on the information in this section.*

### SOURCE AND RELIABILITY OF INFORMATION

#### Background of Ipsos

We commissioned Ipsos Business Consulting to conduct an analysis of, and to report on, the foundation and site formation industry in Hong Kong at a fee of HK\$408,000 and our Directors consider that such fee reflects market rates. Ipsos is an independent market research company wholly-owned by Ipsos Group S.A.. Founded in Paris, France, in 1975 and publicly-listed on the NYSE Euronext Paris in 1999, Ipsos Group S.A. acquired Synovate Limited in October 2011 and employs approximately 16,000 personnel worldwide across 88 countries. Ipsos Group S.A. conducts research on market profiles, market size, share and segmentation analyses, distribution and value analyses, competitor tracking and corporate intelligence. Ipsos Business Consulting, a division of Ipsos, has solid experience in conducting market research for various industries in initial public offerings of companies listed on the Stock Exchange.

#### Research methodology

The information in the Ipsos report are derived by data and intelligence obtained by: (i) conducting desk research covering government and regulatory statistics, industry and analyst reports, industry associations, industry journals and other online sources and data from the research database of Ipsos; (ii) performing client consultation to obtain background information of our Group; and (iii) conducting primary research by interviewing key stakeholders and industry experts including but not limited to foundation and site formation contractors and companies providing such services. The information and statistics set forth in this section have been extracted from the Ipsos Report.

#### Assumptions and parameters used in the Ipsos Report

The following assumptions are used in the Ipsos Report:

Forecast data was projected based on: (i) historical data regarding macro-economic factors as well as industry-specific drivers and the development of the construction industry; (ii) forecast data published by government bodies regarding future development of the construction industry. The following bases and assumptions are used in the market sizing and forecasting model in the Ipsos Report:

- It is assumed that the supply of the foundation industry will grow under the Government's initiative to increase the housing supply.

## INDUSTRY OVERVIEW

- It is assumed that there is no external shock such as financial crisis or natural disasters to affect the demand and supply of the construction and hence the foundation and site formation industry in Hong Kong over the forecast period.

The following parameters are used in the market sizing and forecasting model in the Ipsos Report:

- GDP value and GDP growth rate in Hong Kong from 2012 to 2016 and forecast from 2017 to 2021;
- Gross fixed capital information value in Hong Kong from 2012 to 2016;
- Gross output value of overall construction works performed by main contractors and subcontractors at construction sites in Hong Kong from 2012 to 2016 and forecast from 2017 to 2021;
- Public expenditure on infrastructure in Hong Kong from 2012 to 2016;
- Total number of public housing units newly completed in Hong Kong from 2012 to 2016;
- Total number of private residential housing units newly completed in Hong Kong from 2012 to 2016;
- Total square meter of private office premises newly completed in Hong Kong from 2012 to 2016;
- Total square meter of private commercial premises newly completed in Hong Kong from 2012 to 2016;
- Average wages for workers engaging in the foundation industry in Hong Kong from 2012 to 2016; and
- Historical price trend of key materials used in the foundation and site formation industry in Hong Kong from 2012 to 2016.

Our Directors confirmed that, as at the Latest Practicable Date, after taking reasonable care, there is no adverse change in the market information since the date of the Ipsos Report which may qualify, contradict or have an impact on the information in this section.

Except as otherwise noted, all the data and forecasts contained in this section are derived from the Ipsos Report.

### OVERVIEW OF THE MACROECONOMIC SITUATION AFFECTING CONSTRUCTION INDUSTRY IN HONG KONG

#### GDP and growth rate

In Hong Kong, the GDP value grew from HK\$2,037.1 billion in 2012 to HK\$2,489.1 billion in 2016, at a GAGR of 5.1%. Over the forecast period from 2017 to 2021, the GDP value is expected to increase from HK\$2,589.2 billion to HK\$3,109.5 billion. In 2015 and 2016, the GDP value experienced

## INDUSTRY OVERVIEW

a slower growth rate due to the slackening of external trade and a softening economy in China. The increase GDP value during forecast period can be mainly explained by the expected growth in export value due to the global economic recovery.

### Gross fixed capital formation value in Hong Kong

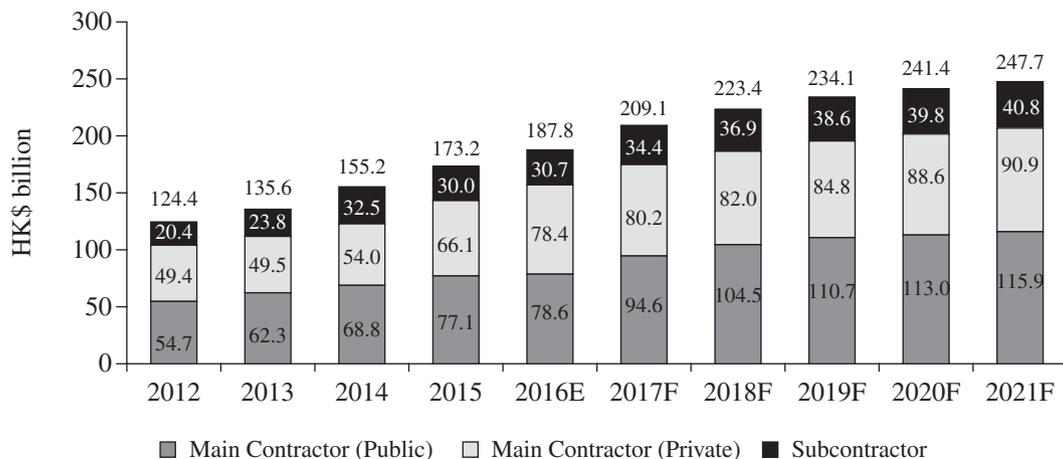
The gross fixed capital formation value in Hong Kong experienced a gentle increase from 2012 to 2016, increasing from HK\$517.4 billion to HK\$535.9 billion at a CAGR of approximately 0.9%. The gentle growth can be explained by the presence of large amount of construction projects in both general building and civil engineering, particularly in infrastructure projects. The gross fixed capital formation value is expected to continue to increase during the forecast period given the consideration of the ongoing and upcoming construction projects in both public and private sectors.

### OVERVIEW OF THE CONSTRUCTION INDUSTRY IN HONG KONG

The construction industry in Hong Kong accounted for about 3.4% to 4.7% of the GDP from 2011 to 2015. The public sector witnessed higher levels of construction project value than the private sector in the past five years, as key construction projects were mostly infrastructure projects, such as the Public Housing Development Program and the Ten Major Infrastructure Projects.

### Gross output value of overall construction works in Hong Kong

The graph below sets forth the gross output value of construction works in Hong Kong from 2012 to 2016, and forecast from 2017 to 2021:



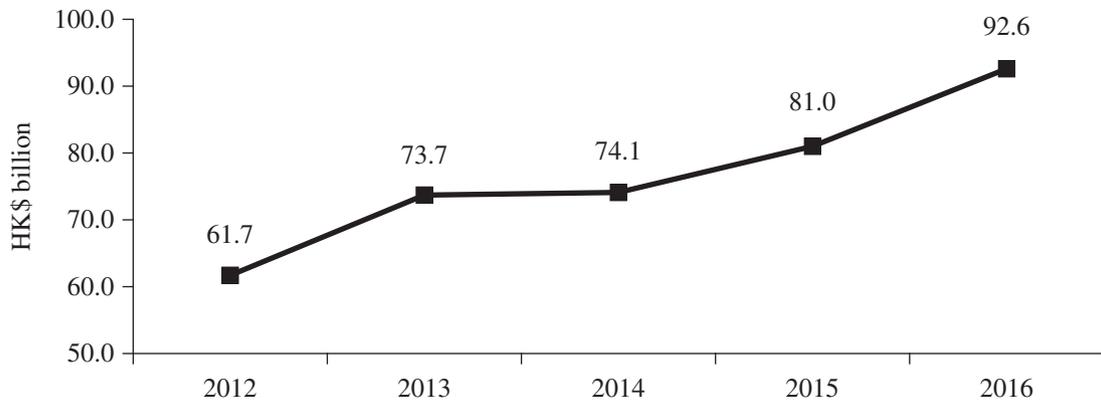
Sources: Census and Statistics Department, HKSAR; Ipsos research and analysis

The Hong Kong construction industry has shown a strong level of growth at a CAGR of 10.8% from 2012 to 2016, with the gross output value of overall construction works increasing from HK\$124.4 billion in 2012 to HK\$187.8 billion in 2016. The robust growth was driven by (i) public construction projects including the Ten Major Infrastructure Projects and government programs to increase the supply of public housing, and (ii) growth in number of private residential and commercial buildings to meet the market demand.

## INDUSTRY OVERVIEW

### Public expenditure on infrastructure in Hong Kong

The graph below shows the public expenditure on infrastructure in Hong Kong from 2012 to 2016:



Sources: 2012–2017 policy addresses, HKSAR; Ipsos research and analysis

The public expenditure on infrastructure in Hong Kong grew significantly from HK\$61.7 billion in 2012 to HK\$92.6 billion in 2016, representing a CAGR of 10.7%. The commencement of the Ten Major Infrastructure Projects was the main factor which pushed the growth of public expenditure on infrastructure. For instance, the construction of South Island Line commenced in 2011 and was completed in 2016, construction of the West Kowloon Cultural District commenced in 2013 and the first phase was completed in 2015, and phases 1&2 of the Kai Tak Development were completed in 2013 and 2016 respectively. Other Ten Major Infrastructure Projects commenced between 2010 to 2013 and are expected to be completed by 2021. In addition, other public projects such as strategic new road projects and the ongoing construction of the Tseung Kwan O-Lam Tin Tunnel and infrastructure works at Queen's Hill also drove the public expenditure on infrastructure to increase.

### Number of new public housing units newly completed

The number of new public housing units produced increased from 11,186 in 2012 to 14,264 in 2016 in Hong Kong. The number has fluctuated between 2012 and 2016, at a CAGR of 6.3%. Due to the high property price, increasing population and large income inequality present in Hong Kong, which reinforces the demand for public housing, public housing units are expected to be constructed to accommodate the increasing number of applicants on the waiting list.

### Number of new private residential housing units newly completed

The number of private residential housing units newly completed grew from 10,149 units in 2012 to 14,594 units in 2016, at a CAGR of about 9.5%. This overall increase can be explained by the completion of several large residential projects as the government increased the land supply for private developers. By the end of 2014, the private housing supply market rose to an eight-year high of about 15,719 units.

## INDUSTRY OVERVIEW

### **Total square meters of private office premises newly completed**

The area of private office space completed in Hong Kong decreased from approximately 135.7 thousand m<sup>2</sup> in 2012 to about 103.6 thousand m<sup>2</sup> in 2014, but reached approximately 164.5 thousand m<sup>2</sup> in 2015 and approximately 153.1 thousand m<sup>2</sup> in 2016, representing a CAGR of 3.1% during the years from 2012 to 2016. Higher transaction costs caused by Hong Kong Government's cooling measures and uncertainties in the US monetary policy impacted the office market in 2014 and contributed to the decrease. However, the Hong Kong Government has strived to facilitate the office demand not only in core business district but also in alternative business areas like Kowloon Bay and Kwun Tong in Kowloon East, which led the growth of private office premises newly completed since 2015.

### **Total square meters of private commercial premises newly completed**

As the government increased the land supply for both residential and commercial use, the growth of private commercial space completed in Hong Kong from about 90.1 thousand m<sup>2</sup> in 2012 to about 123.1 thousand m<sup>2</sup> in 2016, at a CAGR of around 8.1%.

## **OVERVIEW OF THE FOUNDATION AND SITE FORMATION WORKS INDUSTRY IN HONG KONG**

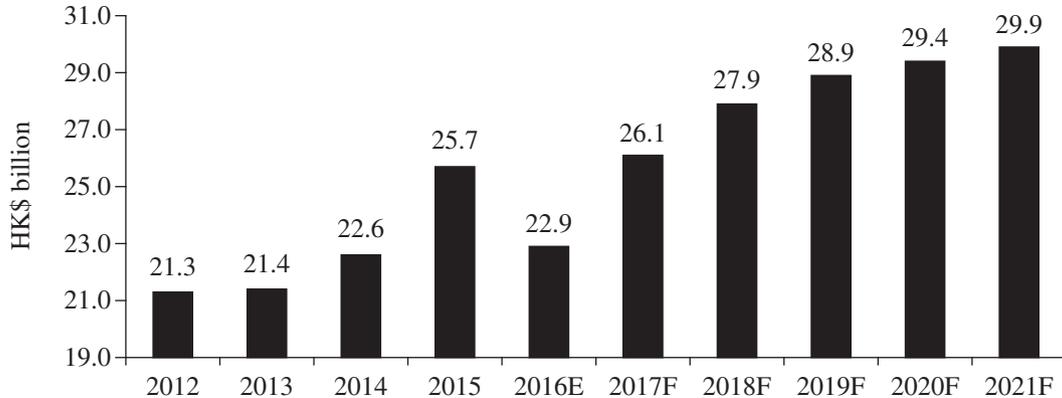
Both site formation works and foundation works belong to the early stage of a construction project. The two works are closely related as foundation works are carried out after the prior site formation works have been finished. Site formation works include levelling of land, slope stabilization, construction of retaining walls and access roads. These works include (i) construction of workers' facilities such as shelters and toilets and site boundaries; (ii) forming the land to the required orientation, shape or level; (iii) preventing landslides; and (iv) providing required back-up facilities, such as drainage system and access roads. Foundation works include piling, pile cap construction, excavation, and lateral support works. These works are important for providing support for the superstructure.

It is common for the main contractors to subcontract foundation works and site formation works to subcontractors in the industry. It is common that subcontractors have a relatively high customer concentration due to their good relationships with several main contractors and their scale of operation.

## INDUSTRY OVERVIEW

### Gross output value of the foundation works and site formation works in Hong Kong

The graph below shows the gross output value of the foundation works and site formation works in Hong Kong from 2012 to 2016, and the forecast from 2017 to 2021:



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

The gross output value of foundation works and site formation works grew from about HK\$21.3 billion in 2012 to about HK\$22.9 billion in 2016, at a CAGR of 1.8%, owing to the rapid development of the construction industry. During the forecast period from 2017 to 2021, the total gross output value of foundation works and site formation works is expected to see a higher CAGR of approximately 3.5%.

The increasing trend is due to the steady growth of construction works, from about HK\$124.4 billion in 2012 to HK\$187.8 billion in 2016 at a CAGR of approximately 10.8%.

From 2012 to 2016, the fluctuation is due to the filibuster in the legislative council and the limited benefit from the recent major infrastructure projects. As piling works are major required by construction projects consist of superstructures and it is always in the early stage of a construction project. However, infrastructure commenced recently are mostly railway projects which required fewer foundation works and consist of fewer superstructures relatively, thus, causing the fluctuation in the foundation industry.

### DEMAND FOR AND INDUSTRY DRIVERS OF THE FOUNDATION AND SITE FORMATION WORKS INDUSTRY IN HONG KONG

The government, property developers and main contractors are key customers of the foundation and site formation industry. The Hong Kong government has taken initiatives to increase the housing supply. According to the 2017 Policy addresses, 210 sites are identified which can be used for residential development, potentially providing 380,000 public and private housing units. The Government set a total housing supply target for the coming decade (2017–2018 to 2027–2028) at 460,000 units, including 280,000 public housing units. The government also intends to actively explore ways to increase the supply through organisations including the Housing Authority, the Hong Kong Housing Society (HKHS) and the Urban Renewal Authority to provide more choices and opportunities of home ownership to low and middle-income families. As of January 2017, 93 of the 210 sites have already been rezoned or made available for housing development, which are capable of producing about 160,000 flats. The government also collaborated with the Mass Transit Railway Corporation to release

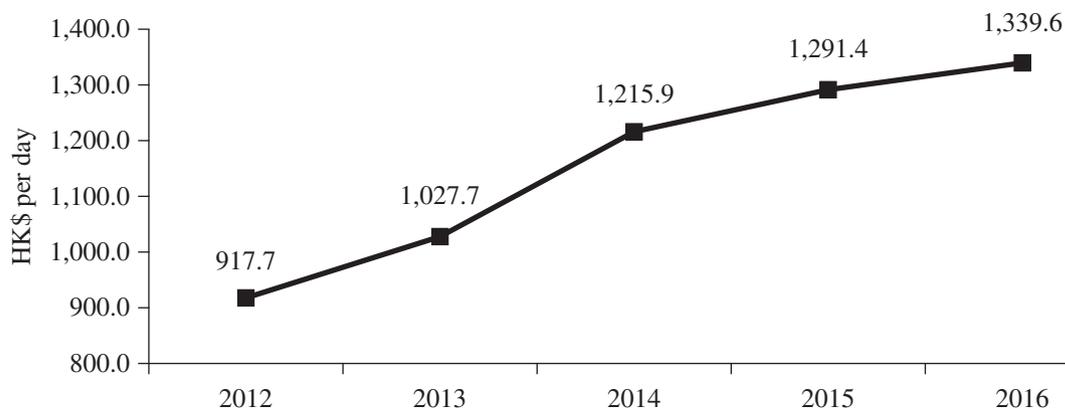
## INDUSTRY OVERVIEW

residential projects which can provide about 37,900 flat units, serving as another major source of residential housing supply. These government plans to increase local housing supply are expected to drive the demand for foundation and site formations work in Hong Kong.

### PRICE TREND OF MAJOR COST COMPONENTS

#### Average daily wage for workers engaging in the foundation works industry in Hong Kong

The graph below shows the average wage for workers engaging in the foundation and site formation industry in Hong Kong from 2012 to 2016:



Sources: Construction Industry Council, HKSAR; Ipsos research and analysis

From 2012 to 2016, the average foundation and site formation worker wage per day has increased at a CAGR of 9.9%, from HK\$917.7 in 2012 to HK\$1,339.6 in 2016. The rise is partly due to the labour shortage, a result of the decreasing number of new construction workers as well as an ageing workforce where skilled workers approach retirement and leave the industry. Construction works consist of different trades, with each trade requiring labor with specialised skills which may not be easily replaceable with labor from another trade. The average wage increased in order to attract new workers.

#### Price trend of key raw materials

The following table shows the average wholesale price of key materials used in the foundation and site formation works industry in Hong Kong from 2012 to 2016:

	2012	2013	2014	2015	2016	CAGR 2012-2016
<b>Steel Reinforcement</b>						
(HK\$ per tonne)	\$5,921.6	\$5,282.2	\$4,775.2	\$3,723.6	\$3,672.6	-11.3%
<b>Portland Cement</b>						
(HK\$ per tonne)	\$690.3	\$698.5	\$720.4	\$739.2	\$714.7	0.9%
<b>H-pile (HK\$ per kg)</b>	\$5.9	\$5.5	\$5.1	\$4.3	\$3.6	-11.5%

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

## INDUSTRY OVERVIEW

### *Steel reinforcement*

The average wholesale price of steel reinforcements dropped from HK\$5,921.6 per tonne in 2012 to HK\$3,672.6 per tonne in 2016, at a CAGR of -11.3%. The drop from 2012 to 2016 can be attributed to the global drop in demand for new construction works caused by the deteriorating European economy. The oversupply of steel also decreased the wholesale price of steel reinforcements. In 2016, as China issued industrial de-capacity policies to deal with excessive production, the supply of steel reinforcements went down which slowed down the rate of decrease in the second half of 2016.

### *Portland Cement*

The average wholesale price of portland cement in Hong Kong increased from about HK\$690.3 per tonne in 2012 to about HK\$714.7 per tonne in 2016, at a CAGR of 0.9%. The increase in construction works performed in Hong Kong contributed to the increased demand of Portland cement, causing the average wholesale price to increase from 2012 to 2015. However, in 2016, the price decreased slightly, due to falling prices offered by cement companies in mainland China.

### *H-pile*

The average wholesale price of H-piles in Hong Kong decreased from about HK\$5.9 per kilogram in 2012 to about HK\$3.6 per kilogram in 2016, at a CAGR of -11.5%. Demand for H-piles from downstream industries has suffered and been financially influenced by the poorly performing European economy and China's tightening monetary policies. The global demand for construction works was lower during the period, which has affected the prices of raw materials including H-piles.

## COMPETITIVE LANDSCAPE OF THE FOUNDATION AND SITE FORMATION WORKS INDUSTRY IN HONG KONG

### **Competitive situation**

**Foundation works:** Regarding the public projects, there were 49 contractors registered on the Development Bureau's List of Approved Suppliers of Materials and Specialist Contractors for Public Works (land piling category) in April 2017. Regarding the private projects, there were 149 companies registered under Building Department's list of Specialist Contractors (sub-register of the foundation works category) in April 2017. Furthermore, there were 324 companies registered as subcontractor in the Construction Industry Council (under foundation and piling trade code) in April 2017.

**Site formation works:** Regarding the public projects, there were 82 contractors registered for public works (site formation category) in April 2017. Regarding the private projects, there were 185 companies registered under Building Department's List of Specialist Contractors (sub-register of the site formation works category).

The foundation and site formation industry is highly competitive with presence of several leading contractors operating in the industry. The top five contractors accounted for approximately 46.4% share of the industry revenue in 2016.

In 2016, the Company recorded approximately HK\$349.0 million of revenue by engaging in foundation and site formation works and providing construction machinery rental services. Furthermore, approximately HK\$332.3 million of revenue generated by providing foundation and site formation works in Hong Kong, accounting for approximately a 1.5% share of the total industry revenue.

## INDUSTRY OVERVIEW

### Top 5 foundation and site formation contractors in Hong Kong in 2016

Rank	Name of Company	Headquarter Location	Revenue in 2016 (HK\$ million)	Share of Total Industry Revenue (%)	Key Products and Service Scope	Focused Sector (Private/Public/Both)
1	Company A	Hong Kong	2,958.4	12.9%	ELS works, piling works, pile caps construction works and other foundation works	Both
2	Company B	Hong Kong	2,812.3	12.3%	ELS works, piling works, pile caps construction works and other foundation works	Both
3	Company C	Hong Kong	2,634.0	11.5%	ELS works, piling works, pile caps construction works and other foundation works	Both
4	Company D	Hong Kong	1,261.7	5.5%	ELS works, piling works, pile caps construction works and other foundation works	Both
5	Company E	Hong Kong	957.0	4.2%	ELS works, piling works, pile caps construction works and other foundation works	Both
Others			12,254.5	53.6%		
<b>Total</b>			<b>22,877.9</b>	<b>100.0%</b>		

### Factors of competition

*Established reliable working relationships with customers, subcontractors and raw material suppliers*

A foundation contractor is considered competitive if it can maintain good relationships with its customers, subcontractors and raw material suppliers. Main contractors tend to outsource their projects to subcontractors that have proven high-quality work and on-time project completion track records, especially the subcontractors whom they have previously collaborated with. Established long-term business relationships with raw material suppliers and subcontractors provide a foundation contractor more flexibility in negotiating prices, allocating resources and executing projects compared with their competitors.

*Experience in foundation works project management and technical expertise*

Technical expertise and experience in foundation project management are important to meet project timeline, quality and budget. With an experienced project management team having good technical understanding of foundation works, a contractor is able to address different issues that may arise during project execution, and foresee potential problems during the project. The contractor's experience will also determine its capability of effectively and efficiently source and allocate resources including workers, raw materials, specialized machinery to complete works on time and within a competitive budget. Foundation contractors with more flexibility in sourcing and allocating resources are more capable of meeting the project timeline and requirements and are more likely to win foundation project tenders.

## INDUSTRY OVERVIEW

### *Industry reputation and proven track record*

Foundation contractors with a proven track record have better industry reputation and are more likely to win project tenders based on their proven reliability and experience in completing foundation works. If a foundation contractor can complete projects on time, perform quality foundation works and meet safety and environmental requirements, it would be regarded as holding proven track records. In addition to the good track record, foundation contractors with proven safety records are also considered more competitive than their competitors. Since accidents and fatalities would bring lengthy and expensive lawsuits to all parties involved in the project, foundation contractors with proven safety records would give confidence to their customers that they have a lower possibility of facing accidents and fatalities.

### **Market drivers**

#### *Government's initiative to increase the supply of residential properties*

To cope with the rising demand for residential properties and stabilise the overheated property market, the Hong Kong government initiated the Long-Term Housing Strategy (LTHS) to increase the supply of public housing units and residential land for private properties. For instance, the government launched a five-year plan to allocate more land for residential property development. With the government's initiative, it is expected that the demand for foundation services in Hong Kong will continue to increase, driving market growth further.

#### *Large-scale infrastructure projects*

Since the announcement of the "Ten Major Infrastructure Projects" in the 2007 Policy Address, the growth of the foundation industry has been supported by the commencement of large-scale infrastructure projects which require foundation works. In addition to the Ten Major Infrastructure Projects, the commencement and implementation of other large-scale infrastructure projects such as the third runway system at Hong Kong International Airport are expected to continue to drive the growth of the foundation industry in Hong Kong over the forecast period.

### **Entry barriers**

#### *High capital requirement*

Foundation and site formation contractors require a large amount of initial capital to purchase or rent specialised machinery. They also have to fulfill capital requirements for registration under different government departments. For example, to be qualified for tendering public rental housing contracts under "Building (New Work 1)" category of the Housing Authority, the minimum working capital is HK\$10.1 million. Foundation and site formation contractors also need capital to pay workers and subcontractors. Hence, new entrants in the industry may face difficulties in surviving if they do not have enough initial capital.

## INDUSTRY OVERVIEW

### *Proven practical industry experience*

A lack of practical industry experience is one of the entry barriers of the foundation and site formation industry in Hong Kong. In general, customers award tenders based on contractors' track records and experience, assessing their ability to meet technical, safety, time, and budget requirements of the project. As a result, new entrants with insufficient project management and work experience may find it difficult to win a tender.

### *Technical capability requirement*

The requirements of foundation projects have become increasingly complex in recent years, due to the demand for specialized construction techniques such as land reclamation. Furthermore, the number of projects requiring sophisticated technology has been rising. With the growing size and complexity of the projects, foundation contractors who own advanced technical capabilities may be more competitive in Hong Kong's foundation industry. For new entrants to the foundation industry in Hong Kong, the lack of advanced technical capabilities would be one of its entry barriers.

### *Relationship with property developers and main contractors*

Private sector foundation projects are often awarded through an invited tender process. Property developers/main contractors may send tender invitations to foundation contractors to which they have a good working relationship established. New entrants without these relationships may find it challenging to obtain tender invitations.

## **Opportunities**

### *Rising demand for residential and commercial buildings*

The population in Hong Kong is expected to continue increasing and reach about 8.6 million by 2036. Therefore, the demand for residential properties is expected to continue growing in the near future. According to the Housing Authority, the forecasted number of public rental housing units completed during 2016–2017 and 2020–2021 will increase to about 94,500. In addition, as stated in the 2017–2018 policy address, the government has adopted the total housing supply target of 460,000 units for the 10-year period from 2017–2018 to 2027–2028, including 280,000 public housing units. The increasing demand for residential properties, and hence, for foundation works are expected to continue, providing growth opportunities to the foundation industry in Hong Kong.

### *Urban Renewal Strategy presents new opportunities to the foundation and site formation industry*

To cope with the problem of urban decay, the Hong Kong government initiated the Urban Renewal Strategy in 2011 via the Urban Renewal Authority. It is a 20-year programme which includes launching 225 reconstruction projects covering a total area of 67 hectares in nine target districts. The Urban Renewal Strategy is still on-going with several projects soon to commence. It is expected that many of these projects will require the removal of existing buildings prior to construction, thus requiring site formation works. Therefore, the increasing number of urban redevelopment projects in the future can be a potential opportunity for the industry.

## INDUSTRY OVERVIEW

### **Threats and challenges**

#### *Lack of skilled labour due to old age experience labour exit the industry*

The construction industry, including the foundation and site formation industry has been facing the problem of labor shortage and aging workforce. According to the Hong Kong Construction Association, about 43.1% of the 376,000 registered workers in the construction industry were aged over 50 years as of March 2016. With the lack of sufficient construction workers, especially those with experience and skills, the probability of project delays will increase while the quality of the works may decrease, potentially posing impacts to the development of the foundation and site formation industry.

#### *Increasing operation cost due to labour shortage*

There is a shortage of foundation and site formation workers, such as concreters, bar bender and fixers, drain layers and levelers. The lack of labor supply and increasing demand for foundation and site formation workers in Hong Kong caused the average daily wage of construction workers engaging in the industry to increase. Such increases in labor costs have consistently pushed up construction costs, potentially reducing the profit margin of foundation and site formation works contractors and hindering the development of the industry.

### **Competitive advantages of the Group**

Please refer to the section headed “Business — Competitive strengths” for a detailed discussion of our Group’s competitive strengths.

### **FUTURE TRENDS AND DEVELOPMENT OF THE FOUNDATION AND SITE FORMATION WORKS INDUSTRY**

Several new techniques and technologies may be introduced in the foundation and site formation industry in Hong Kong. Firstly, new piling techniques are being developed, such as the BLUE piling technology, which uses combustion generated pressure to accelerate a column of water onto the pile head. This technology reduces noise pollution and reduces fatigue levels of piles. Secondly, sensor technologies developed may enable future redevelopment projects to re-use piles by understanding the performance, stress experience and resulting deflections of the existing piles. Thirdly, piles which allow heat exchange between the building and the ground to aid the cooling and heating system are being developed. These “energy piles” may potentially reduce the energy usage of a building.

The introduction of new techniques and technologies, such as BLUE piling technology, sensor technologies and Energy piles are related to piling works rather than pile cap construction. Currently, the new techniques and technologies have not been widely applied in Hong Kong. As the Group mainly focuses on pile cap construction, it will not create a direct or indirect impact on the Company in terms of business performance and sustainability.

## LAWS AND REGULATIONS

*This section sets out a summary of certain aspects of the Hong Kong laws and regulations which are relevant to our Group's operations and business. Information contained in this section should not be construed as a comprehensive summary of laws and regulations applicable to our Group.*

### OVERVIEW

Our Group is a Hong Kong-based subcontractor engaged in foundation and site formation works. This section sets out a summary of certain aspects of Hong Kong laws, rules and regulations that are relevant to our operations and business.

### LAWS AND REGULATIONS IN RELATION TO THE CONTRACTOR LICENSING REGIME AND OPERATION

#### Construction Industry Council — Registered Subcontractor

The Construction Industry Council has introduced a subcontractors registration scheme (“SRS”) for trade subcontractors taking part in building and engineering works so as to build up a pool of capable and responsible subcontractors with specialised skills and professional ethics. The registration scheme has been implemented in phases, at first of which comprises a primary register (being a list of companies registered in accordance with Rules and Procedures for the Primary Register of the Subcontracting Registration Scheme) (the “**Primary Register**”) with relatively simple and accommodating entry requirements.

The registration scheme is overseen by a management committee made up of representatives from major industry stakeholders formed under the auspices of the Construction Industry Council. The management committee assumes responsibility for enforcing the registration rules and procedures, screening and approving applications for registration, as well as instigating regulatory actions under a set of rules and procedures.

Pursuant to the registration scheme, certain industry organisations, such as the Airport Authority, Development Bureau, Hong Kong Housing Authority and MTR Corporation Limited, have either introduced contractual provisions requiring its main contractors to include appropriate terms in their subcontracts to require subcontractors to apply for registration under the registration scheme on a mandatory basis or mandated the employment of registered subcontractors in all new buildings, maintenance and improvement contracts. As such, where a contractor is to sub-contract part of the public works involving 52 trades and specialties covering common structural, civil, finishing, electrical and mechanical works and supporting services available under the Primary Register, he shall engage all subcontractors (whether nominated, specialist or domestic) who are registered under the relevant trades in the Primary Register. Should the subcontractors further subcontract (irrespective of the tier) any part of the part of the public works subcontracted to them involving trades available under the Primary Register, the contractor shall ensure that all subcontractors (irrespective of the tier) are registered under the relevant trades in the Primary Register.

## LAWS AND REGULATIONS

Applications for registration under the Primary Register are subject to the following entry requirements:

- (a) Completion of at least one job within five years as a main contractor/subcontractor in the areas which it applies or to have acquired comparable experience by itself/its proprietors, partners or directors within the last five years; or
- (b) Listings on one or more government registration schemes operated by policy bureaus or departments of the Government relevant to the trades and specialties for which registration is sought; or
- (c) The applicant or its proprietor, partner or director having been employed by a registered subcontractor for at least five years with experience in the trade/specialty applying for and having completed all the modules of the Project Management Trainings Series for Sub-contractors (or equivalent) conducted by the Construction Industry Council; or
- (d) The applicant or its proprietor, partner or director having registered as Registered Skilled Worker under the Construction Workers Registration Ordinance (Chapter 583 of the Laws of Hong Kong) for the relevant trade/specialty with at least five years' experience in the trade/specialty applying for and having completed the Senior Construction Workers Trade Management Course (or equivalent) conducted by the Construction Industry Council.

Subcontractors may apply for registration in one or more of 52 trades covering common structural, civil, finishing, electrical and mechanical works and supporting services.

Set out below is our Group's registration with the Primary Register of the Construction Industry Council:

Name of Group member	Trade code	Trade specialty	Date of first registration	Expiry date of current registration
Lik Shing Construction	01.02 Foundation and piling	Sheet piles	December 2014	December 2018
	01.04 Reinforcement bar fixing	Reinforcement bar fixing	December 2014	December 2018
	01.05 Concreting	Concreting	December 2014	December 2018
	01.09 General civil works	Earthwork	December 2014	December 2018

## LAWS AND REGULATIONS

Name of Group member	Trade code	Trade specialty	Date of first registration	Expiry date of current registration
Lik Shing Engineering	01.01 Demolition	General demolition	May 2008	May 2018
	01.02 Foundation and piling	Sheet piles	May 2008	May 2018
	01.03 Concreting formwork	Timber formwork	June 2016	June 2018
	01.04 Reinforcement bar fixing	Reinforcement bar fixing	May 2014	May 2018
	01.05 Concreting	Concreting	May 2014	May 2018
	01.09 General civil works	Earthwork	May 2008	May 2018

*Note:* A registered subcontractor shall apply for renewal within three months before the expiry date of its registration providing information and supporting documents to show compliance with the entry requirements provided that supporting documents are not required if the subcontractor has been registered by satisfying the requirements set out in paragraphs (a), (c) or (d) above and the experience submitted in the previous application for satisfying the entry requirements is obtained within five years of the expiry of the current registration; or the first time registration through complying the requirement (c) or (d) being within five years of the expiry of the current registration.

An application for renewal shall be subject to approval by the management committee. If some of the entry requirements covered in an application can no longer be satisfied, the management committee may give approval for renewal based on those trades and specialties where the requirements are met.

### LAWS AND REGULATIONS IN RELATION TO LABOUR, HEALTH AND SAFETY

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

The Factories and Industrial Undertaking Ordinance provides for the safety and health protection to workers in an industrial undertaking. Under the Factories and Industrial Undertaking Ordinance, every proprietor shall take care of the safety and health at work of all persons employed by it at an industrial undertaking by:

- (i) providing and maintaining plant and work systems that do not endanger safety or health;
- (ii) making arrangement for ensuring safety and health in connection with the use, handling, storage and transport of articles and substances;
- (iii) providing all necessary information, instruction, training and supervision for ensuring safety and health;
- (iv) providing and maintaining safe access to and egress from the workplaces; and
- (v) providing and maintaining a safe and healthy work environment.

## LAWS AND REGULATIONS

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

Matters regulated under the subsidiary regulations of the Factories and Industrial Undertakings Ordinance, including the Construction Sites (Safety) Regulations (Chapter 59I of the Laws of Hong Kong), include (i) the prohibition of employment of persons under 18 years of age (save for certain exceptions); (ii) the maintenance and operation of hoists; (iii) the duty to ensure safety of places of work; (iv) prevention of falls; (v) the duty to comply with miscellaneous safety requirements; and (vi) provision of first aid facilities. Non-compliance with any of these rules constitutes an offence and different levels of penalty will be imposed and a contractor guilty of the relevant offence could be liable to a fine up to HK\$200,000 and to imprisonment up to 12 months.

In addition, under the Factories and Industrial Undertakings (Safety Management) Regulations (Chapter 59AF of the Laws of Hong Kong) (“**Safety Management Regulation**”), any contractor in carrying out construction works with a contract value of HK\$100 million or more or having an aggregate of 100 or more workers in a day working in one or more construction sites is obliged to appoint a registered safety auditor to conduct a safety audit to collect, assess and verify information on the efficiency, effectiveness and reliability of its safety management system at least once in every six months. Any person who contravenes this requirement commits an offence and is liable on conviction to a fine of HK\$200,000 and to imprisonment of six months.

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

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

Employers must, as far as reasonable, contribute to safety and health in their workplaces by:

- (i) providing and maintaining plant and work systems that do not endanger safety or health;
- (ii) making arrangement for ensuring safety and health in connection with the use, handling, storage or transport of plant or substances;
- (iii) providing all necessary information, instruction, training, and supervision for ensuring safety and health;
- (iv) providing and maintaining safe access to and egress from the workplaces; and
- (v) providing and maintaining a safe and healthy work environment.

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

## LAWS AND REGULATIONS

Further, the Commissioner for Labour may serve on an employer or occupier improvement notices and suspension notices requiring respectively the rectification of contravention against safety legislation and suspension of an activity in which there is imminent risk of death or serious bodily injury. Failure to comply with such notices without reasonable excuse constitutes an offence punishable by a fine of HK\$200,000 and HK\$500,000 respectively and imprisonment of up to 12 months.

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

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

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

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

The Construction Workers Registration Ordinance provides for the registration of construction workers and related matters.

Pursuant to section 3 of the Construction Workers Registration Ordinance, a person shall not personally carry out on a construction site construction work unless the person is a registered construction worker. Section 5 of the Construction Workers Registration Ordinance provides that no person shall employ unregistered construction workers to carry out on construction sites construction work.

If (i) there is a contravention of section 3 of the Construction Workers Registration Ordinance and the person who commits the contravention is employed by a principal contractor for the construction site concerned, or a subcontractor of such a principal contractor; or (ii) there is a contravention of section 5, and the person who commits the contravention is a subcontractor of a principal contractor for the construction site concerned, that principal contractor also commits an offence and is liable on conviction to a fine at level 5 (currently at HK\$50,000).

Further, according to section 58 of the Construction Workers Registration Ordinance, a principal contractor/controller of a construction site is required to:

- (i) establish and maintain a daily record in the specified form that contains information of registered construction workers employed by him and, in the case of a controller being the principal contractor, by a subcontractor of the controller; and

## LAWS AND REGULATIONS

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

A person who, without reasonable excuse, contravenes the above section commits an offence and is liable on conviction to a fine at level 3 (currently at HK\$10,000).

Following amendment of the Construction Workers Registration Ordinance in 2014, the requirements of “designated workers for designated trades” have been implemented under the construction workers registration scheme in April 2017. Skilled construction workers are then be required to register according to their respective skills.

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

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

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

Section 40 of the Employees’ Compensation Ordinance requires all employers, including contractors and subcontractors, to take out insurance policies to cover their liabilities under the Employees’ Compensation Ordinance and at common law for injuries at work for all full-time and part-time employees. Where a principal contractor has undertaken to perform any construction work, it may take out an insurance policy for an amount not less than HK\$200 million per event to cover his liability and that of his subcontractor(s).

An employer who fails to comply with the Employees’ Compensation Ordinance to secure an insurance cover commits an offence and is liable on conviction to a fine of level 6 (currently at HK\$100,000) and imprisonment for up to two years.

It is also stipulated in section 24 of the Employees’ Compensation Ordinance that a principal contractor should be liable to pay compensation to its subcontractors’ employees who are injured in the course of their employment. However, the principal contractor is entitled to be indemnified by the subcontractor who would have been liable to compensation to the injured employee. The employees in question are required to serve a notice in writing on the principal contractor before making any claim or application against such principal contractor.

## LAWS AND REGULATIONS

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

A main contractor is subject to the provisions on subcontractor's employees' wages in the Employment Ordinance. Pursuant to section 43C of the Employment Ordinance, if any wages become due to an employee who is employed by a subcontractor on any work which the subcontractor has contracted to perform, and such wages are not paid within the period specified in the Employment Ordinance, such wages shall be payable by the principal contractor and/or every superior subcontractor jointly and severally. A principal contractor's liability shall be limited to (i) the wages of an employee whose employment relates wholly to the work which the principal contractor has contracted to perform and whose place of employment is wholly on the site of the building work; and (ii) the wages due to such an employee for 2 months (such months shall be the first two months of the period in respect of which the wages are due).

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

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

It is stated in section 43F of the Employment Ordinance that if a principal contractor or superior subcontractor pays to an employee any wages under section 43C of Employment Ordinance, the wages so paid shall be a debt due by the employer of that employee to the principal contractor or superior subcontractor. The principal contractor or superior subcontractor may either (i) claim contribution from every superior subcontractor to the employee's employer or from the principal contractor and every other such superior subcontractor as the case maybe, or (ii) deduct by way of set-off the amount paid by him from any sum due or may become due to the subcontractor with regard to the work that he has subcontracted.

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

The Mandatory Provident Fund Schemes Ordinance provides for, inter alia, the establishment of a system of privately managed, employment-related mandatory provident fund schemes for members of the workforce to accrue financial benefits for retirement.

Under the Mandatory Provident Fund Schemes Ordinance, the employer and its relevant employee, meaning an employee of 18 years of age or over and below retirement age which is 65 years of age, are each required to make contributions to the plan at 5% of the relevant employees' relevant income, meaning any wages, salary, leave pay, fee, commission, bonus, gratuity, perquisite or allowance expressed in monetary terms, paid or payable by an employer to the relevant employee in consideration of his employment under his employment contract. With effect from 1 June 2012, the maximum level of relevant income of a relevant employee was adjusted from HK\$20,000 to HK\$25,000, and thus the relevant maximum mandatory contribution was adjusted from HK\$1,000 to HK\$1,250. With effect from

## LAWS AND REGULATIONS

1 June 2014, the maximum level of relevant income of a relevant employee was further adjusted from HK\$25,000 to HK\$30,000, and thus the relevant maximum mandatory contribution was adjusted from HK\$1,250 to HK\$1,500.

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

For the purpose of the Industry Schemes, the construction industry covers the following eight major categories: (i) foundation and associated works; (ii) civil engineering and associated works; (iii) demolition and structural alteration works; (iv) refurbishment and maintenance works; (v) general building construction works; (vi) fire services, mechanical, electrical and associated works; (vii) gas, plumbing, drainage and associated works; and (viii) interior fitting-out works.

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

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

Under section 38A of the Immigration Ordinance, the principle or main contractor who has control over or is in charge of a construction site should take all practicable steps to (i) prevent having illegal immigrants from being on site or (ii) prevent illegal workers who are not lawfully employable from taking employment on site.

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

## **LAWS AND REGULATIONS IN RELATION TO ENVIRONMENTAL PROTECTION**

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

The Air Pollution Control Ordinance regulates the emission of air pollutants and noxious odour from construction, industrial and commercial activities and other sources of pollution. Its subsidiary regulations impose control on air pollutant emissions from certain operations through the issue of licences and permits.

A contractor shall observe and comply with the Air Pollution Control Ordinance and its subsidiary regulations, particularly the Air Pollution Control (Open Burning) Regulation, Air Pollution Control (Construction Dust) Regulation and Air Pollution Control (Smoke) Regulation. For instance, a contractor responsible for a construction site shall devise and arrange methods of carrying out the works in a manner that minimises the impact of dust on the surrounding environment of the construction site, and shall provide experienced personnel with suitable training should also be to ensure that these methods

## LAWS AND REGULATIONS

are implemented. Asbestos control provisions in the Air Pollution Control Ordinance require building works involving asbestos to be conducted only by registered qualified personnel under the supervision of a registered consultant.

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

The Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation came into effect on 1 June 2015 to introduce regulatory control on the emissions of non-road mobile machinery (the “NRMMs”), including non-road vehicles and regulated machines such as crawler cranes, excavators and air compressors.

Unless exempted, NRMMs which are regulated under this provision are required to comply with the emission standards prescribed under this regulation. From 1 September 2015, all regulated machines sold or leased for use in Hong Kong must be approved or exempted with a proper label in a prescribed format issued by the Environmental Protection Department pursuant to section 4 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. Under section 5 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation, starting from 1 December 2015, only approved or exempted NRMMs with a proper label are allowed to be used in specified activities and locations including construction sites. However, existing NRMMs which are already in Hong Kong on or before 30 November 2015 will be exempted from complying with the emission requirements pursuant to section 11 of the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. A period of six months (from 1 June 2015 to 30 November 2015, both dates inclusive) is allowed for existing NRMMs to apply for exemption.

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

On 8 February 2015, the Works Branch of Development Bureau issued the Technical Circular, pursuant to which the Government of Hong Kong has promulgated an implemental plan to phase out progressively the use of exempted NRMM for four types of exempted NRMM, namely generators, air compressors, excavators and crawler cranes in new capital works contracts of public, including design and build contracts, with an estimated contract value exceeding HK\$200 million and tenders invited on or after 1 June 2015. Notwithstanding the aforesaid phase out plan, exempted NRMM may still be permitted at the discretion of the architect or engineer of public contracts if there is no feasible alternative. Under phase out plan of the Technical Circular, the contractors being invited to tender or to participate in all new capital works contracts of public works (including design and build contracts) with an estimated contract value exceeding HK\$200 million on or after 1 June 2015 shall allow no exempted generator and air compressor to be used on site after 1 June 2015 and the quantity of exempted excavators and crawler cranes used on site not to exceed 50%, 20% and 0% of the total number of exempted NRMMs being used on site since 1 June 2015, 1 June 2017 and 1 June 2019, respectively.

## LAWS AND REGULATIONS

As at 31 March 2017, our Group has 103 regulated machines and out of which 77 machines and the remaining 26 machines were exempted and approved, respectively, by the Hong Kong Environmental Protection Department under the Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation. Set out below is the table showing the details of the approved and exempted NRMMs owned by our Group as at 31 March 2017:

Machinery	Quantity		Carrying
	Approved	Exempted	amount as at 31 March 2017 <i>HK\$'000</i> <i>(approximate)</i>
Excavator	26	69	17,423.4
Loader	—	2	—
Drill rig	—	1	448.0
Air compressor	—	4	302.5
Other machinery	—	1	1.0

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

The Noise Control Ordinance regulates, among others, the noise from construction activities. A contractor shall comply with the Noise Control Ordinance and its subsidiary regulations in carrying out construction works. For construction activities that are to be carried out during the restricted hours and for percussive piling during the daytime, not being a general holiday, construction noise permits are required from the Noise Control Authority in advance. The carrying out of percussive piling is prohibited between 7:00 p.m. and 7:00 a.m. or at any time on general holidays.

Under the Noise Control Ordinance, construction works that use powered mechanical equipment (other than percussive piling) are not allowed between 7:00 p.m. and 7:00 a.m. or at any time on general holidays, unless prior approval has been granted by the Noise Control Authority through the construction noise permit system. The use of certain equipment is also subject to restrictions. Hand-held percussive breakers and air compressors must comply with noise emissions standards and be issued with a noise emission label from the Noise Control Authority. Schedule 1 of the Noise Control (Hand Held Percussive Breakers) Regulations (Chapter 400D of the Laws of Hong Kong) sets out the maximum permissible sound power levels based on the different masses of the hand-held percussive breakers. Similarly, Schedule 1 of the Noise Control (Air Compressors) Regulations (Chapter 400C of the Laws of Hong Kong) sets out the maximum permissible sound power levels based on the different air flows of the air compressors.

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

## LAWS AND REGULATIONS

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

The Water Pollution Control Ordinance provides the main statutory framework for the declaration of water control zones to cover the whole of Hong Kong and the establishment of water quality objectives. For any industry/trade generating wastewater discharge (except domestic sewage that is discharged into communal sewers or unpolluted water into stormwater drains, river courses and water bodies), they are subject to licensing control by the Environmental Protection Department.

The licence specifies the requirements relevant to the discharge, e.g. the effluent standards and the discharge location.

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

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

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

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

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

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

## LAWS AND REGULATIONS

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

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

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

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

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

Discharge of muddy water from a construction site is actionable under the Public Health and Municipal Services Ordinance. Maximum fine is HK\$50,000 (level 5) upon conviction.

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

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

## **OTHERS**

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

The Competition Ordinance prohibits and deters undertakings in all sectors from adopting anticompetitive conduct which prevents, restricts or distorts competition in Hong Kong. The Competition Ordinance establishes three competition rules, namely the First Conduct Rule, Second Conduct Rule and Merger Rule which prohibit anti-competitive agreements, abuse of market power and anti-competitive mergers and acquisitions respectively.

The First Conduct Rule prohibits businesses from making or giving effect to an agreement, engaging in a concerted practice, or making or giving effect to a decision of an association, if the agreement concerned has the object or effect to harm competition in Hong Kong. The Second Conduct Rule prohibits businesses with a substantial degree of market power from abusing its power through engaging in conduct that has the object or effect to harm competition in Hong Kong. The Merger Rule forbids mergers between businesses that substantially lessen competition in Hong Kong. The scope of application of the Merger Rule is limited to carrier licences issued under the Telecommunications Ordinance (Chapter 106 of the Laws of Hong Kong).

## LAWS AND REGULATIONS

Serious Anti-competitive Conduct is defined under section 2(1) of the Competition Ordinance as any conduct that comprises any one or combination of the following:

- (i) fixing, maintaining, increasing or controlling the price for the supply of goods or services;
- (ii) allocating sales, territories, customers or markets for the production or supply of goods and services;
- (iii) fixing, maintaining, controlling, preventing, limiting or eliminating the production or supply of goods and services;
- (iv) bid-rigging.

It is stated in section 82 of the Competition Ordinance that if the Competition Commission has any reasonable cause to believe that a contravention of the First Conduct Rule has occurred and the contravention does not involve Serious Anti-competitive Conduct, it must issue a warning notice to the undertaking, before bringing proceedings in the Competition Tribunal against the undertaking.

However, under section 67 of the Competition Ordinance, where a contravention of the First Conduct Rule has occurred and such contravention involves Serious Anti-competitive Conduct or a contravention of the Second Conduct Rule has occurred, the Competition Commission may, instead of commencing proceedings against the person concerned, issue an infringement notice offering not to bring proceedings on condition that the person commits to comply with the requirements of the infringement notice.

In the event of the breaches of the Competition Ordinance, the Competition Tribunal may make orders including, among others:

- (i) imposing a pecuniary penalty if satisfied that an entity has contravened a competition rule;
- (ii) disqualifying a person from acting as a director of a company or taking part in the management of a company;
- (iii) prohibiting an entity from making or giving effect to an agreement;
- (iv) modifying or terminating an agreement; and
- (v) requiring the payment of damages to a person who has suffered loss or damage.

### **LAWS EXPECTED TO COME INTO FORCE WHICH MAY IMPACT OUR BUSINESS**

#### **SOPL for the Construction Industry**

The Development Bureau of the Hong Kong Government issued a report on public consultation on proposed SOPL for the construction industry in April 2016 to address unfair payment terms, payment delays and disputes in the construction industry. The SOPL purports to encourage fair payment, promote rapid dispute resolution and increase cash flow in the contractual chain.

## LAWS AND REGULATIONS

The Government initiated the SOPL to cover written and oral contracts that involve the supply of construction works, plant and materials in Hong Kong. All construction contracts in the public sector will be covered by the legislation, whereas only construction and supply contracts relating to a “new building” (as defined in the Buildings Ordinance) with a value exceeding HK\$5 million in the private sector will fall under the scope of the SOPL. Where the SOPL is applicable to a main contract, it will automatically apply to all related subcontracts.

The SOPL, after it comes into effect, will:

- (i) prohibit “pay when paid” terms and other similar terms in contracts, which refer to provisions in contracts that make payment contingent or conditional on the operation of other contracts or agreements, meaning that payment is conditional on the payer receiving payment from a third party;
- (ii) prohibit payment periods of more than 60 calendar days for interim payments and 120 calendar days for final payments;
- (iii) enable amounts due for construction work or materials or plant supplies to be claimed as statutory payment claims, upon receipt of which the payer has 30 calendar days to serve a payment response, and either party has a statutory right to refer the matter to adjudication for decision (typically a 60 day process); and
- (iv) grant parties who have not been paid amounts admitted as due the right to suspend the performance of works until such payment is made.

The SOPL is subject to the finalisation of the legislation framework and the legislative process by the Hong Kong Government. It is probable that some of our future contracts will be caught by the SOPL. Where such contracts are subject to the SOPL, we will have to ensure compliance of the terms in the contracts with the SOPL. Nevertheless, as we generally pay our subcontractors within 30 days upon receipt of their payment applications, our Directors consider that our payment pattern does not deviate from the SOPL and our payment policy and cash management will not be materially affected by the SOPL if it comes into force.

### **COMPLIANCE**

Our Directors confirmed that during the Track Record Period and up to the Latest Practicable Date, our Group has obtained all the registrations and certifications required for our business and operations in Hong Kong, and all of them are in force as at the Latest Practicable Date. Our Directors further confirmed that the carrying out of foundation and site formation works by our Group in Hong Kong is valid and complies with the laws in Hong Kong in all material respects.

## **HISTORY, REORGANISATION AND CORPORATE STRUCTURE**

### **OVERVIEW**

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law on 13 March 2017 in preparation for the Listing and is the holding company of our Group. As at the Latest Practicable Date, the subsidiaries of our Group comprised of Infinite Merit, Novel Sign, Harvest Year, Glory Ease, Billion Talent, Lik Shing Engineering, Lik Shing Construction, Lik Shing Construction Engineering and Crystal Future. Details of these subsidiaries and the corporate structure of our Group are set out in the sub-section headed “Establishment and development of the subsidiaries of the Company” in this section.

Prior to the Listing, our Group underwent the Reorganisation and immediately following the completion of the Reorganisation, the entire issued share capital of our Company was owned by Colourfield Global, a company incorporated in the BVI which is wholly owned by Mr. Li.

Immediately following the completion of the Capitalisation Issue and the Share Offer, Colourfield Global will own 75% of the issued share capital in our Company (without taking into account any Share which may be allotted and issued upon exercise of the Adjustment Options and any option which may be granted under the Share Option Scheme).

### **BUSINESS DEVELOPMENT**

Our Group’s history can be traced back to 2001 when Mr. Li was principally engaged as a sole proprietor in construction works, mainly involved in subcontracting services of small-scale construction works and the rental of machinery for construction works in Hong Kong, under the name of Lik Shing Engineering Co. with his own resources.

In 2005, Mr. Li and Mr. Tse Chin Wing, a current employee of our Group, established Lik Shing Engineering Company Limited to provide construction works services. However, in view of the weak economic environment and intense competition, Mr. Tse did not wish to continue the business operation of Lik Shing Engineering Company. Consequently, in 2006, Lik Shing Engineering Company Limited was dissolved by way of deregistration and Mr. Li continued the business under Lik Shing Engineering Co..

In 2007, Mr. Li set up Lik Shing Engineering, one of our principal operating subsidiaries, as Mr. Li believed it was more appropriate for a body corporate to handle our Group’s expanding business. Over the years, along with the incorporation of Lik Shing Construction and Lik Shing Construction Engineering, our Group has engaged in foundation and site formation works in larger scale. As the scale and business of our Group grew, before the Track Record Period, Mr. Li ceased his sole proprietorship under the name of Lik Shing Engineering Co.. During the Track Record Period and as at the Latest Practicable Date, Lik Shing Engineering and Lik Shing Construction was each a registered subcontractor with the Construction Industry Council.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### MILESTONES OF OUR GROUP

The chronological overview of the key events in respect of the development of our Group is set out below:

- |      |  |
|------|--|
| 2001 | Lik Shing Engineering Co., a sole proprietorship of Mr. Li, commenced its business in mainly subcontracting services of small-scale construction works and the rental of machinery for construction works in Hong Kong |
| 2007 | Lik Shing Engineering was incorporated in Hong Kong on 11 October 2007 and commenced its business in foundation works  |
| 2008 | Lik Shing Engineering expanded its business in site formation works<br><br>Lik Shing Engineering became a registered subcontractor under the Subcontractors Registration Scheme  |
| 2012 | Lik Shing Construction was incorporated in Hong Kong on 26 June 2012   |
| 2012 | Lik Shing Engineering was awarded the “Considerate Contractors Site Awards” issued by the Development Bureau and Construction Industry Council   |
| 2012 | Lik Shing Engineering was awarded the “Best Subcontractor in Safety” granted by China State Construction Engineering (Hong Kong) Limited   |
| 2014 | Lik Shing Construction first became as a registered subcontractor under the Subcontractors Registration Scheme<br><br>Lik Shing Construction Engineering was incorporated in Hong Kong on 19 September 2014            |
| 2017 | Lik Shing Engineering was accredited with ISO 14001:2015   |
| 2017 | Lik Shing Engineering was accredited with ISO 9001:2015  |
| 2017 | Lik Shing Engineering was accredited with OHSAS 18001:2007   |

### ESTABLISHMENT AND DEVELOPMENT OF THE SUBSIDIARIES OF THE COMPANY

Our Company was incorporated in the Cayman Islands under the Companies Law on 13 March 2017 in preparation for the Listing and is the holding company of our Group. As at the Latest Practicable Date, our Group mainly comprised the Company, Infinite Merit, Novel Sign, Harvest Year, Glory Ease, Billion Talent, Lik Shing Engineering, Lik Shing Construction, Lik Shing Construction Engineering and Crystal Future.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### **Lik Shing Engineering**

Lik Shing Engineering was incorporated in Hong Kong on 11 October 2007 with limited liability. During the Track Record Period and as at the Latest Practicable Date, Lik Shing Engineering was mainly engaged in the provision of foundation and site formation works and the nature of which can be broadly classified as excavation and lateral support works, site formation works, substructures construction and retaining walls construction.

As at the date of incorporation, Lik Shing Engineering allotted and issued as fully paid 10,000 shares (representing 100% of the issued shares of Lik Shing Engineering at the time) to Mr. Li.

On 29 March 2017, as part of the Reorganisation, Novel Sign acquired the entire issued shares of Lik Shing Engineering from Mr. Li. After such transfers of shares, Lik Shing Engineering became wholly-owned by Novel Sign.

Upon completion of the Reorganisation, Lik Shing Engineering became an indirect wholly-owned subsidiary of the Company, details of which are set out in the paragraph headed “Reorganisation” in this section below.

### **Lik Shing Construction**

Lik Shing Construction was incorporated in Hong Kong on 26 June 2012 with limited liability. During the Track Record Period and as at the Latest Practicable Date, Lik Shing Construction mainly provided construction machinery rental services.

As at the date of incorporation, Lik Shing Construction allotted and issued as fully paid one share (representing 100% of the issued shares of Lik Shing Construction at the time) to Mrs. Li. Pursuant to the Declaration of Trust Regarding Lik Shing Construction, Mrs. Li acknowledged and confirmed that she held said share of Lik Shing Construction which, was registered under her name, for and on behalf of Mr. Li.

On 29 March 2017, as part of the Reorganisation, Harvest Year acquired the entire issued shares of Lik Shing Construction from Mrs. Li (at the direction of Mr. Li). After such transfer of shares, Lik Shing Construction became wholly-owned by Harvest Year.

Upon completion of the Reorganisation, Lik Shing Construction became an indirect wholly-owned subsidiary of the Company, details of which are set out in the paragraph headed “Reorganisation” in this section below.

### **Lik Shing Construction Engineering**

Lik Shing Construction Engineering was incorporated in Hong Kong on 19 September 2014 with limited liability. During the Track Record Period and as at the Latest Practicable Date, Lik Shing Construction Engineering mainly provided repairing service and vehicle rental service.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

As at the date of incorporation, Lik Shing Construction Engineering allotted and issued as fully paid one share (representing 100% of the issued shares of Lik Shing Construction Engineering at the time) to Mr. Li KY. Pursuant to the Declaration of Trust Regarding Lik Shing Construction Engineering, Mr. Li KY acknowledged and confirmed that he held said share of Lik Shing Construction Engineering, which was registered under his name, for and on behalf of Mr. Li.

On 29 March 2017, as part of the Reorganisation, Glory Ease acquired the entire issued shares of Lik Shing Construction Engineering from Mr. Li KY (at the direction of Mr. Li). After such transfers of shares, Lik Shing Construction Engineering became wholly-owned by Glory Ease.

Upon completion of the Reorganisation, Lik Shing Construction Engineering became an indirect wholly-owned subsidiary of the Company, details of which are set out in the paragraph headed “Reorganisation” in this section below.

### **Crystal Future**

Crystal Future was incorporated with liability limited by shares under the laws of BVI on 5 January 2017. Since the date of incorporation, Crystal Future is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each. On 16 January 2017, Crystal Future allotted and issued as fully paid one ordinary share to Billion Talent (representing the only issued share of Crystal Future at that time). During the Track Record Period and as at the Latest Practicable Date, Crystal Future had no substantial business.

Upon completion of the Reorganisation, Crystal Future became an indirect wholly-owned subsidiary of the Company, details of which are set out in the paragraph headed “Reorganisation” in this section below.

### **Novel Sign**

Novel Sign was incorporated with liability limited by shares under the laws of BVI on 9 January 2017. Since the date of incorporation, Novel Sign is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each. On 1 March 2017, Novel Sign allotted and issued as fully paid one ordinary share to Infinite Merit (representing 100% of the only issued share of Novel Sign at that time). During the Track Record Period and as at the Latest Practicable Date, Novel Sign was an investment holding company.

Upon completion of the Reorganisation, Novel Sign became an indirect wholly-owned subsidiary of the Company, details of which are set out in the paragraph headed “Reorganisation” in this section below.

### **Harvest Year**

Harvest Year was incorporated with liability limited by shares under the laws of BVI on 15 February 2017. Since the date of incorporation, Harvest Year is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each. On 1 March 2017, Harvest Year allotted and issued as fully paid one ordinary share to Infinite Merit (representing the only issued share of Harvest Year at that time). During the Track Record Period and as at the Latest Practicable Date, Harvest Year was an investment holding company.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Upon completion of the Reorganisation, Harvest Year became an indirect wholly-owned subsidiary of the Company, details of which are set out in the paragraph headed “Reorganisation” in this section below.

### **Glory Ease**

Glory Ease was incorporated with liability limited by shares under the laws of BVI on 5 January 2017. Since the date of incorporation, Glory Ease is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each. On 1 March 2017, Glory Ease allotted and issued as fully paid one ordinary share to Infinite Merit (representing the only issued share of Glory Ease at that time). During the Track Record Period and as at the Latest Practicable Date, Glory Ease was an investment holding company.

Upon completion of the Reorganisation, Glory Ease became an indirect wholly-owned subsidiary of the Company, details of which are set out in the paragraph headed “Reorganisation” in this section below.

### **Billion Talent**

Billion Talent was incorporated with liability limited by shares under the laws of BVI on 5 January 2017. Since the date of incorporation, Billion Talent is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each. On 16 January 2017, Billion Talent allotted and issued as fully paid one ordinary share to Mr. Li (representing the only issued share of Billion Talent at that time). During the Track Record Period and as at the Latest Practicable Date, Billion Talent was an investment holding company.

On 29 March 2017, as part of the Reorganisation, Infinite Merit acquired one ordinary share, being the only issued share of Billion Talent from Mr. Li. After such transfers of share, Billion Talent became wholly-owned by Infinite Merit.

### **Infinite Merit**

Infinite Merit was incorporated with liability limited by shares under the laws of BVI on 20 February 2017. Since the date of incorporation, Infinite Merit is authorised to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each. On 1 March 2017, Infinite Merit allotted and issued as fully paid one ordinary share to Mr. Li (representing the only issued share of Infinite Merit at that time). During the Track Record Period and as at the Latest Practicable Date, Infinite Merit was an investment holding company. On 29 March 2017, Infinite Merit allotted and issued an aggregate of four ordinary shares, credited as fully-paid, to Mr. Li, as consideration for the abovementioned transfer of one share from each of Novel Sign, Harvest Year, Glory Ease and Billion Talent to Infinite Merit.

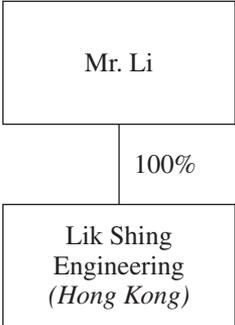
On 31 March 2017, pursuant to the Reorganisation Agreement, Mr. Li transferred his entire shareholding interests in Infinite Merit to the Company. For details, please refer to the paragraphs headed “Reorganisation” in this section below. After such transfer and upon completion of the Reorganisation, Infinite Merit became a wholly-owned subsidiary of the Company.

**HISTORY, REORGANISATION AND CORPORATE STRUCTURE**

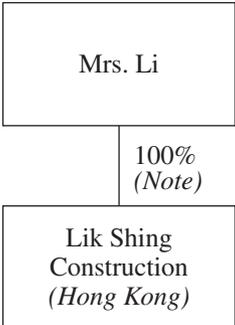
**REORGANISATION**

Prior to the Reorganisation, the structure of our Group was as follows:

**(A) Lik Shing Engineering**

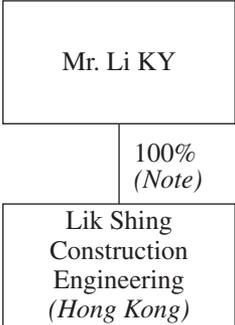


**(B) Lik Shing Construction**



*Note:* Pursuant to a Declaration of Trust Regarding Lik Shing Construction, Mrs. Li held 100% of the issued shares of Lik Shing Construction on trust for and on behalf of Mr. Li.

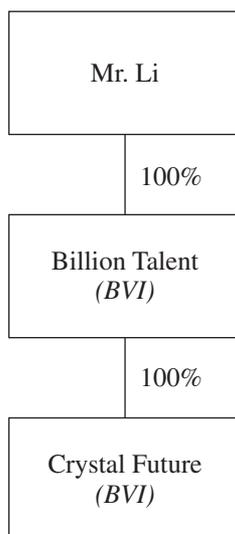
**(C) Lik Shing Construction Engineering**



*Note:* Pursuant to a Declaration of Trust Regarding Lik Shing Construction Engineering, Mr. Li KY held 100% of the issued shares of Lik Shing Construction Engineering on trust for and on behalf of Mr. Li.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

### (D) Billion Talent and Crystal Future



### Corporate restructuring

To rationalise our Group's structure in preparation for the Listing, our Group underwent various corporate restructuring as more particularly described as follows:

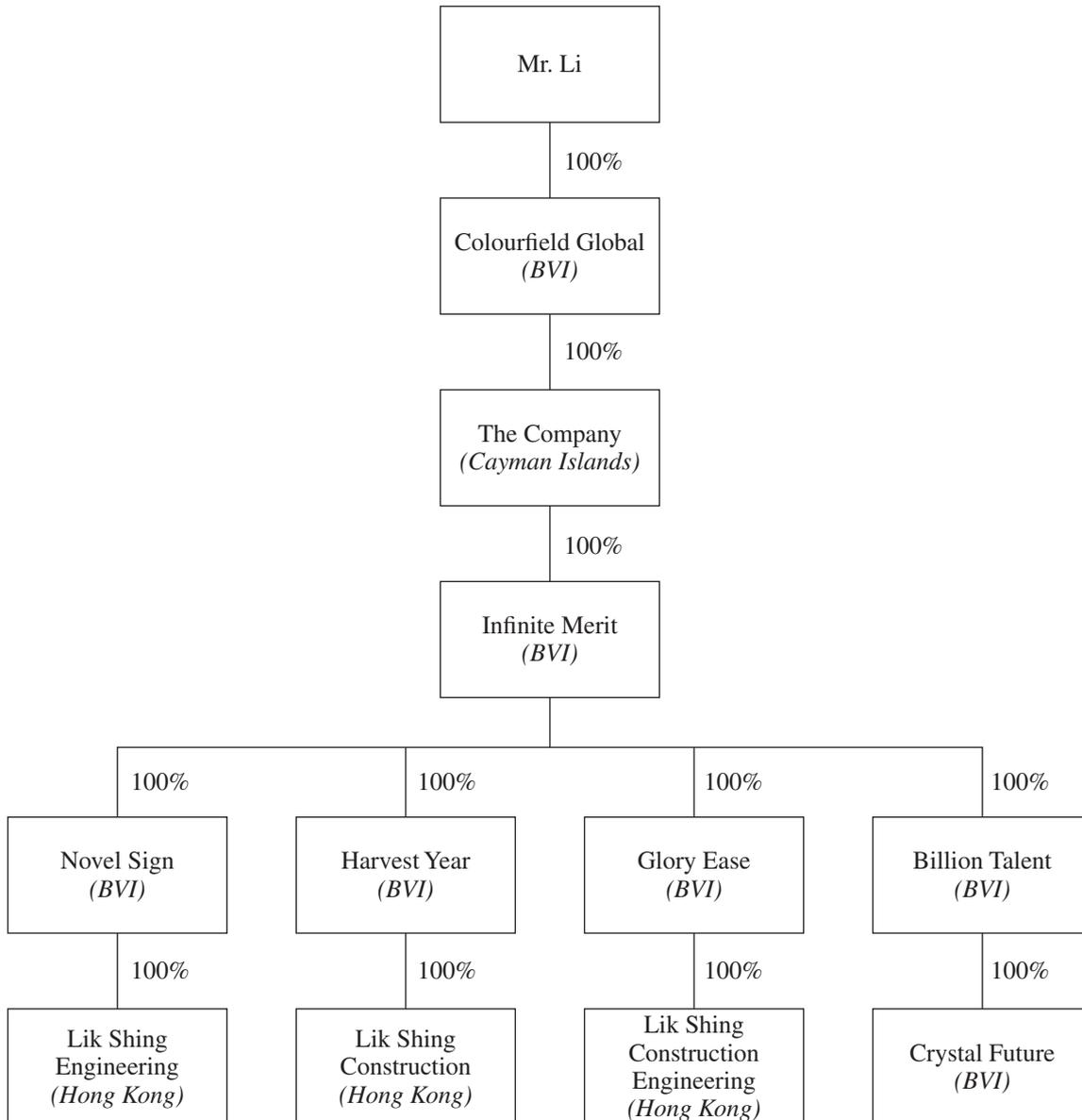
- (1) On 9 January 2017, Novel Sign was incorporated in the BVI with liability limited by shares. For further details of Novel Sign, please refer to the paragraph headed "Establishment and development of the subsidiaries of the Company — Novel Sign" in this section.
- (2) On 5 January 2017, Glory Ease was incorporated in the BVI with liability limited by shares. For further details of Glory Ease, please refer to the paragraph headed "Establishment and development of the subsidiaries of the Company — Glory Ease" in this section.
- (3) On 15 February 2017, Harvest Year was incorporated in the BVI with liability limited by shares. For further details of Harvest Year, please refer to the paragraph headed "Establishment and development of the subsidiaries of the Company — Harvest Year" in this section.
- (4) On 20 February 2017, Infinite Merit was incorporated in the BVI with liability limited by shares. For further details of Infinite Merit, please refer to the paragraph headed "Establishment and development of the subsidiaries of the Company — Infinite Merit" in this section.
- (5) On 29 March 2017, Mr. Li transferred 10,000 shares (representing the entire issued shares at the time) of Lik Shing Engineering to Novel Sign. In consideration thereof, Novel Sign procured Infinite Merit to allot and issue one ordinary share of Infinite Merit, credited as fully paid, to Mr. Li. As a result, Lik Shing Engineering becomes a wholly-owned subsidiary of Novel Sign.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

- (6) On 29 March 2017, Mrs. Li, at the direction of Mr. Li, transferred one share (representing the entire issued shares at the time) of Lik Shing Construction to Harvest Year. In consideration thereof, Harvest Year procured Infinite Merit to allot and issue one ordinary share of Infinite Merit, credited as fully paid, to Mr. Li. As a result, Lik Shing Construction becomes a wholly-owned subsidiary of Harvest Year.
- (7) On 29 March 2017, Mr. Li KY, at the direction of Mr. Li, transferred one share (representing the entire issued shares at the time) of Lik Shing Construction Engineering to Glory Ease. In consideration thereof, Glory Ease procured Infinite Merit to allot and issue one ordinary share of Infinite Merit, credited as fully paid, to Mr. Li. As a result, Lik Shing Construction Engineering becomes a wholly-owned subsidiary of Glory Ease.
- (8) On 29 March 2017, Mr. Li transferred one ordinary share (representing the only issued share at the time) of Billion Talent to Infinite Merit. In consideration thereof, Infinite Merit allotted and issued one ordinary share, credited as fully paid, to Mr. Li. As a result, Billion Talent becomes a wholly-owned subsidiary of Infinite Merit.
- (9) Colourfield Global was incorporated in the BVI with liability limited by share on 14 February 2017 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 1 March 2017, one ordinary share was allotted and issued as fully paid to Mr. Li.
- (10) The Company was incorporated in the Cayman Islands on 13 March 2017 as an exempted company with limited liability under the Companies Law. As at the time of incorporation, the Company had an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each, of which one fully paid Share was allotted and issued to a subscriber, which was transferred to Colourfield Global on the same date.
- (11) On 31 March 2017, pursuant to the Reorganisation Agreement, the Company acquired all the issued shares of Infinite Merit from Mr. Li. In consideration thereof, at the direction of Mr. Li, the Company allotted and issued 999 Shares, credited as fully paid, to Colourfield Global. The said transfer had been properly and legally completed and settled. After such transfer, Infinite Merit became a wholly-owned subsidiary of the Company.

## HISTORY, REORGANISATION AND CORPORATE STRUCTURE

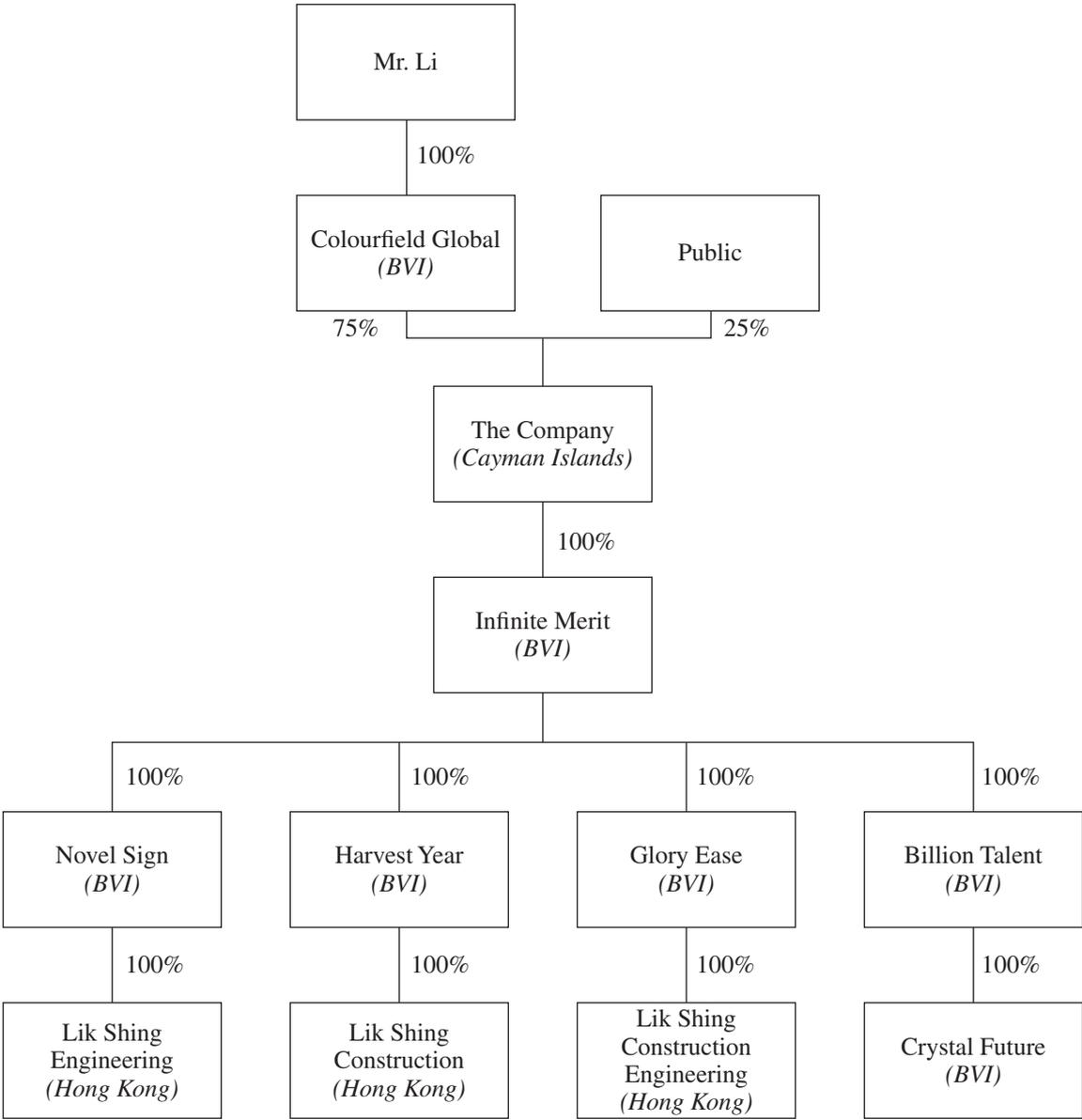
Upon completion of the Reorganisation set out above, the Company became the holding company of our Group. The following chart sets out the shareholding and corporate structure of our Group immediately after the Reorganisation but prior to completion of the Share Offer and the Capitalisation Issue:



Conditional on the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the Share Offer, certain amounts standing to the credit of the share premium account of the Company will be capitalised and applied in paying up in full such number of Shares for allotment and issue to Colourfield Global prior to the commencement of the trading and dealing of the Shares on the Stock Exchange, so that the number of Shares so allotted and issued, when aggregated with the number of Shares already owned by Colourfield Global, will constitute not more than 75% of the total issued share capital of the Company.

**HISTORY, REORGANISATION AND CORPORATE STRUCTURE**

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



## BUSINESS

### BUSINESS OVERVIEW

*Our business:* We are a subcontractor engaged in foundation and site formation works in Hong Kong. Our foundation and site formation works represent the projects undertaken by us, the nature of which are broadly classified as pile caps construction, ELS works and site formation works. With the possession of a fleet of machinery, we were able to lease some of our machinery, mainly excavators, to contractors or subcontractors during the Track Record Period to expand our income stream.

*Our revenue:* For each of the three years ended 31 March 2017, our total revenue amounted to approximately HK\$238.8 million, HK\$349.0 million and HK\$380.7 million, respectively. The following table sets forth the breakdown of our revenue during the Track Record Period:

	<b>For the year ended 31 March</b>					
	<b>2015</b>		<b>2016</b>		<b>2017</b>	
	<i>Revenue</i>	<i>% of total</i>	<i>Revenue</i>	<i>% of total</i>	<i>Revenue</i>	<i>% of total</i>
	<i>HK\$'000</i>	<i>revenue</i>	<i>HK\$'000</i>	<i>revenue</i>	<i>HK\$'000</i>	<i>revenue</i>
Foundation and site formation works	215,086	90.1	332,265	95.2	360,481	94.7
Machinery leasing	<u>23,692</u>	<u>9.9</u>	<u>16,756</u>	<u>4.8</u>	<u>20,176</u>	<u>5.3</u>
Total Revenue	<u><u>238,778</u></u>	<u><u>100.0</u></u>	<u><u>349,021</u></u>	<u><u>100.0</u></u>	<u><u>380,657</u></u>	<u><u>100.0</u></u>

*Our foundation and site formation works:* Our foundation works mainly include ELS works and pile caps construction works while our site formation works are mainly carried out to set up a suitable construction work site for the subsequent foundation and superstructure works to be carried out on the site. The foundation and site formation works undertaken by us originate from both public sector projects (including projects where the ultimate employer(s) are Government departments and statutory bodies) and private sector projects where the ultimate employer(s) are property developer(s) and land owner(s)). The following table sets forth the number of foundation and site formation projects and breakdown of revenue attributable to public sector projects and private sector projects during the Track Record Period:

	<b>For the year ended 31 March</b>								
	<b>2015</b>			<b>2016</b>			<b>2017</b>		
	<i>No. of</i>	<i>Revenue</i>	<i>% of total</i>	<i>No. of</i>	<i>Revenue</i>	<i>% of total</i>	<i>No. of</i>	<i>Revenue</i>	<i>% of total</i>
	<i>project</i>	<i>HK\$'000</i>	<i>revenue</i>	<i>project</i>	<i>HK\$'000</i>	<i>revenue</i>	<i>project</i>	<i>HK\$'000</i>	<i>revenue</i>
	<i>handled</i>			<i>handled</i>			<i>handled</i>		
Private sector	25	170,209	79.1	23	197,888	59.6	20	226,832	62.9
Public sector	<u>10</u>	<u>44,877</u>	<u>20.9</u>	<u>14</u>	<u>134,377</u>	<u>40.4</u>	<u>21</u>	<u>133,649</u>	<u>37.1</u>
Total	<u><u>35</u></u>	<u><u>215,086</u></u>	<u><u>100.0</u></u>	<u><u>37</u></u>	<u><u>332,265</u></u>	<u><u>100.0</u></u>	<u><u>41</u></u>	<u><u>360,481</u></u>	<u><u>100.0</u></u>

*Our tender process:* During the Track Record Period, our Group mainly secured foundation and site formation projects through tender. We identify business opportunities by reviewing tender invitations from customers and submitting tenders for potential projects. For each of the three years ended 31 March 2017, the tender success rate of our Group's foundation and site formation works was approximately 40.0%, 33.3% and 37.5%, respectively.

## BUSINESS

*Our projects:* During the Track Record Period and up to the Latest Practicable Date, we had completed 75 projects with a total original contract sum of approximately HK\$1,003.7 million which a total revenue of approximately HK\$862.9 million has been recognised for the three years ended 31 March 2017. As at the Latest Practicable Date, we had 15 projects on hand (including projects in progress and the projects that had been awarded to us but yet to have commenced). These 15 projects had a total original contract sum of approximately HK\$411.6 million, of which approximately HK\$44.9 million had been recognised as revenue for the year ended 31 March 2017 with a total outstanding original contract sum of approximately HK\$400.5 million as at 31 March 2017.

*Our customers:* During the Track Record Period, our customers can be broadly classified as main contractors and subcontractors of various types of civil works and building works in both public and private construction projects in Hong Kong. For each of the three years ended 31 March 2017, our top five customers accounted for approximately 94.1%, 96.5% and 95.4% of our total revenue, respectively. Our largest customer, Kin Wing Group, accounted for approximately 61.4%, 74.0% and 66.2% of our total revenue for the same periods, respectively. Details of our customer concentration and relationship with Kin Wing Group are set out in the paragraph headed “Customer concentration” in this section below. Our majority of five largest customers during the Track Record Period had maintained business relationship with us for a period ranging from approximately five to seven years.

*Our suppliers:* During the Track Record Period, our suppliers included contractors and subcontractors of foundation and site formation works, lessors of machinery, repair and maintenance service providers and suppliers of consumables such as spare parts and diesel fuel. For each of the three years ended 31 March 2017, our top five suppliers accounted for approximately 55.4%, 65.8% and 67.8% of our total purchase, respectively. Our majority of five largest suppliers during the Track Record Period had maintained business relationship with us for a period ranging from approximately five to seven years.

*Our experience and qualifications:* Our Directors believe that our success in the industry can be attributed to not only our extensive knowledge and experience in the industry, but also our commitment to maintaining an effective management system. Mr. Li was engaged as a sole proprietor in construction works under the name of Lik Shing Engineering Co. in 2001, and has accumulated over 15 years of experience in foundation and site formation works in Hong Kong. Lik Shing Engineering and Lik Shing Construction have been a registered subcontractor under the Subcontractor Registration Scheme since 2008 and 2014, respectively. Further, our current management system has been certified to ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 in the areas of quality, environmental, and occupational health and safety management, since April 2017.

*Going forward:* According to the Ipsos Report, the rising demand for residential buildings as well as infrastructure projects will continue to drive growth in the construction industry in Hong Kong in the foreseeable future. In view of the aforesaid, our Directors are of the view that the demand for foundation and site formation works services in Hong Kong will continue to grow correspondingly in the coming years.

## **COMPETITIVE STRENGTHS**

Our Directors believe our Group possesses the following competitive strengths:

### **1. We have an established operating history and a proven track record**

Our history can be traced back to 2001 when Mr. Li set up Lik Shing Engineering Co., for provision of construction works in Hong Kong. During the Track Record Period and up to the Latest Practicable Date, we had completed 75 projects and we currently have 15 projects in progress and projects which were awarded but not yet commence. Our Directors believe that over the years, we have established ourselves as a reputable subcontractor in the foundation and site formation works sector by delivering quality works and achieving customer satisfaction and cost control, which in turn enables our Group to gain confidence from our customers and enhances our opportunities to obtain new projects from customers. We had completed a number of remarkable projects requiring both experience and technical knowledge in the part of the subcontractor and a broad range of machinery and equipment in performing the site formation works due to the complexity of the works and the condition of the construction sites, such as, redevelopment of Shek Kip Mei Estate phases 3&7 project and No. 15 Middle Road project (both of which require substantial rock excavation works), and near No. 110 Repulse Bay Road project and No. 42–44 Kotewall Road project (both of which require pile cap constructions on a steep slope).

Owing to our proven track record in the provision of high standard services to our customers, our Group has also received a number of awards from our customers in recognition of our work quality and safety management. For details in relation to the awards granted to our Group, please refer to the paragraph headed “Recognitions and Awards” in this section.

We believe that our proven track record, our diverse experience and capabilities and our ability to deliver our jobs on time to the satisfaction of our customers are the crucial factors to our success in the industry.

### **2. We own a wide range of machinery and equipment to conduct our foundation and site formation works**

Our Directors believe that the provision of foundation and site formation work is capital intensive, where specialised machinery are needed when we carry out the foundation and site formation works. Thus, our Group has invested in a wide range of machinery, including excavators, drill rigs, air compressors, loaders, generators, hydraulic elevated platforms and hydraulic rock splitters. As at 31 March 2017, we have maintained 140 units of machinery and our machinery had an aggregate net carrying value of approximately HK\$20.3 million. Our Group monitors our machinery portfolio and purchases new machinery, if we find it necessary. For each of the three years ended 31 March 2017, we purchased new machinery in the amount of approximately HK\$8.8 million, HK\$4.4 million and HK\$10.9 million, respectively. Please refer to the paragraph headed “Business — Our machinery” in this prospectus for further details of our machinery.

Our Directors believe that having a comprehensive fleet of machinery can enhance our ability and capability to take up a variety of foundation and site formation projects as it can meet our customer’s needs and suit extreme site conditions by providing machinery of different types and

sizes from time to time. For example, our fleet of drill rig and hydraulic rock splitters enable us to undertake foundation projects which require substantial high grade rock excavation, such as the foundation work in relation to No. 15 Middle Road project and phases redevelopment of Shek Kip Mei Estate phases 3&7 project undertaken by us during the Track Record Period. Furthermore, having a readily deployable fleet of machinery and equipment can enhance our opportunities in bidding new projects. Our Directors consider that the portfolio of construction machinery owned by our Group is a competitive edge over our competitors.

**3. We have an experienced and dedicated management team and direct workforce**

Most of our executive Directors have extensive experience and technical knowledge in the construction industry in Hong Kong. As at the Latest Practicable Date, Mr. Li and Mr. Liauw Hung have been working in the construction industry in Hong Kong for over 15 years. In addition, we have a dedicated team of senior management who possesses expertise and relevant academic/professional qualifications and experience on contract management and financial planning and reporting, which is crucial for us to ensure the effective and efficient completion of our projects and business operation. Their experience and knowledge in the construction industry in Hong Kong has enabled our Group to submit competitive tender proposals or quotations in a timely manner and improved our estimations in terms of time and cost of our projects, thereby increasing our competitiveness in the market. Please refer to the section headed “Directors and senior management” of this prospectus for the biographical details of our executive Directors and senior management.

Attributed to the experience and technical knowledge of our executive Directors and members of our senior management team, we believe we are able to remain competitive and well-positioned in competing for, and securing contracts in the future.

Our executive Directors and senior management members are supported by a growing and dedicated staff force. As at the Latest Practicable Date, our Group had a team of technical staff and front line operators and workers of 198 staff members possessed with relevant skills who enable us to complete our projects both effectively and efficiently.

**4. We have stable and long-term relationships with our customers, suppliers and subcontractors**

We have established relationships with our customers. We believe that the quality of our works can be evidenced by the years of relationship between our Group and our customers.

We had been providing foundation and site formation works to our majority of five largest customers during the Track Record Period for a period ranging from approximately five to seven years. Based on our Director’s experience, all of our five largest customers are active market players in the construction industry in Hong Kong and our Directors believe that our operating history, together with stable and long-term relationships with our customers would increase our Group’s recognition and awareness in the market.

Furthermore, we keep a pre-approved list of suppliers of construction materials and a list of approved subcontractors. All of our subcontractors possess the relevant qualifications, and our majority of five largest suppliers (including subcontractors) have been our major subcontractors

and suppliers for a period ranging from approximately five to seven years. Our Directors believe that our stable relationship with our subcontractors and suppliers would facilitate (i) a smooth delivery of materials or services with good quality to our Group; and (ii) timely completion of projects with constant quality construction services. The availability of supplies throughout the entire project period is also crucial to our Group's day-to-day operations and future business developments.

**5. We are committed to a high standard of quality, environmental management and occupational health and safety management**

Our Directors believe that the stringent quality assurance system and strong commitment to works' quality, safety and occupational health are crucial to us in delivering quality works to our customers on a timely basis. Therefore, we have implemented a stringent management system regulating our works' quality and safety standards, which complies with international standards. We have achieved the requirements of ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 accreditation for quality management, environmental management, and occupational health and safety management, respectively. During the Track Record Period, the accident rates at the construction sites of our Group were lower than the industry average. During the Track Record Period and up to the Latest Practicable Date, our Group was not subject to any significant ongoing employees' compensation claim and personal injury claim, which demonstrates the effectiveness of our occupational health and safety management system. Our Directors believe that our effective occupational health, safety and environment management systems as well as good compliance track record would help reduce our exposure to these claims and improve our overall service quality and profitability.

For more information relating to our accident rates at the construction sites of our Group, please refer to the paragraph headed "Accidents during the Track Record Period and up to the Latest Practicable Date" in this section.

**BUSINESS STRATEGIES**

The principal business objective of our Group is to achieve a sustainable growth of our business and further strengthen our position in the foundation and site formation industry in Hong Kong. We intend to achieve our future expansion plans by adopting the following key strategies:

**Competing for more foundation and/or site formation works projects and in particular, projects from the public sector**

We plan to further expand our capacity in order to undertake more foundation and/or site formation works projects, in particular in the public sector, in Hong Kong. According to the Ipsos Report, it is forecasted that the gross output value of the foundation works and site formation works in Hong Kong will grow from approximately HK\$26.1 billion in 2017 to HK\$29.9 billion in 2021 at a CAGR of approximately 3.5% as there are rising demand for public housing units and public infrastructures. As such, our Directors believe that our Group should focus on deploying our resources towards competing for sizeable and profitable foundation and/or site formation works projects in Hong Kong in order to grasp the imminent business opportunity. However, the number of foundation and/or site formation works projects that can be executed by our Group at any given time is limited by our resources including the availability of our working capital and cash flow,

manpower and machinery. It is common in the construction industry that our Group incurs net cash outflows at the early stage of our project since our Group typically requires to pay the start-up costs, such as materials costs and subcontracting charges in advance of payment from its customers, whereas the customers normally make progress payments to our Group after the works have commenced and/or completed. For details, please refer to the paragraph headed “Future Plans and Use of Proceeds — Reasons for the Listing — Necessity of fund raising through the Share Offer” in this prospectus.

Furthermore, our customers generally withhold usually 10% of each interim payment up to an aggregate of usually 5% of the total contract sum as retention money, which will only be fully released to our Group subsequent to the expiry of the defect liability period. Our Group currently intends to deploy more resources towards competing for foundation and site formation works originated from the public sector projects. As at the Latest Practicable Date, we have 15 projects on hand (including projects in progress and projects which are awarded but yet to commence) and 7 of them are from the public sector. Please refer to the paragraph headed “Projects on hand as at the Latest Practicable Date” in this section for details of our projects on hand.

#### **Further strengthening our capital base for the issue of surety bonds**

Regarding the working capital requirement for construction projects in Hong Kong, it is not uncommon that a contractor be required to arrange with banks to provide surety bonds or the shareholders or directors of which to provide personal guarantees in the amount equals certain percentage (usually 10%) of the contract sum to their customers to ensure the contractor’s due performance and observance of a subcontract. During the Track Record Period and up to the Latest Practicable Date, there were five foundation and site formation projects awarded to us in which our customers had requested our Group to provide surety bonds of 10% of contract sum though we managed to negotiate with the relevant customers to allow us to provide a surety bond of a lesser amount or to waive such condition. During the Track Record Period, in bidding for seven new projects where we had been asked to provide surety bonds or shareholders’ personal guarantee, we could only win these five projects at the end. Our Directors believe that it may be due to our refusal to provide the surety bonds or shareholders’ personal guarantee. Hence, our Directors, from their knowledge and experience in the foundation and site formation industry, believe that our Group would have a better chance in winning a new project if we can provide surety bonds to the customers upon the customers’ requests. As such, in further developing our business and undertaking more foundation and site formation works projects, our Directors believe that our Group has to undertake more projects with surety bonds requirements in the long run. In this connection, we intend to utilise HK\$23.0 million, representing 30.1% of the net proceeds from the Share Offer for satisfying potential customers’ surety bonds requirements.

#### **Acquiring additional machinery and equipment to enhance our operational efficiency**

As our capacity to carry out foundation and site formation works for our customers depends largely on the availability of our machinery fleet, we intend to acquire additional machinery to enhance our overall operational efficiency. We believe that our investment in the addition of our machinery, including excavators and lifting cranes, can help strengthen our position to cater for foundation and site formation projects of different scales and complexity, and to enable us to meet the expected growing demand in the foundation and site formation industry in Hong Kong. Our

Directors believe that the purchase of additional machinery and equipment will also enable us to manage the timeline of each project efficiently due to the immediate availability of the relevant machinery and equipment, cope with our future business expansion and enhance our overall efficiency, capacity and technical capability in performing our projects by enabling us to undertake large scale projects with higher scale of complexity. By doing so, we can cater for different needs and requirements of different customers.

On the other hand, under the phase-out plan of the Technical Circular, new capital works contracts of public works (including design and build contracts) with an estimated contract value exceeding HK\$200 million on or after 1 June 2015 shall be phased out progressively as follows: the quantity of exempted excavators and crawler cranes used on site shall not exceed 50%, 20% and 0% of all units on site since 1 June 2015, 1 June 2017 and 1 June 2019, respectively. Please refer to the paragraph headed “Laws and regulations — Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong)” of this prospectus for more information about the Technical Circular.

As mentioned above, our Group will deploy more resources towards competing for foundation and site formation works originated from the public sector projects. In view of the above-mentioned reasons and the restrictions imposed by the Technical Circular in relation to the quantity of on-site NRMMS exempted excavators, our Group intends to apply approximately HK\$20.8 million representing 27.0% of the net proceeds from the Share Offer for acquiring 26 NRMMS approved excavators so as to satisfy the restrictions imposed by NRMMS and to enhance our competitiveness for competing foundation and site formation works originated from public sector projects. For details, please refer to the section headed “Future plans and use of proceeds — Use of proceeds” of this prospectus.

### **Further expanding our manpower for project execution and strengthening the skills of our employees**

We believe that a team of strong staff members equipped with industry knowledge, skills in the foundation and site formation industry and experience in operating different types of machinery and equipment is crucial to our continuing success. In addition, the involvement of our Directors and senior management at different stages of the project, such as assessment of potential projects, preparation and submission of tender and quotation, project planning and administration, project implementation and execution, and quality control is crucial to the timely completion of the projects and to the satisfaction of our customers. In order to compete for more projects in the public sector, we intend to expand our human resources by recruitment of experienced and skilled staff members, in particular project managers, site supervisors, quantity surveyors and machinery operators in order to drive our business development.

In addition, we intend to arrange training workshops or courses for our staff members to update their knowledge in the foundation and site formation industry and enhance their technical skills. Such training workshops or courses are to be conducted either internally or by external parties such as other training authorities through subsidies of admission fees.

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In light of the above, we intend to utilise approximately HK\$16.9 million, representing approximately 22.2% of the proceeds of the Share Offer to strengthen our manpower by (i) hiring one project manager, four site supervisors, one quantity surveyor and seven machine operators; and (ii) providing staff trainings to our staff.

### OUR SERVICES

#### Foundation and site formation works

##### (i) *Foundation works*

Foundation works are performed to provide ground or base for construction structures to be built upon it. The type of foundation construction depends upon on several factors, including the nature of the sub-soil, the type and depth of the loads to be installed, the layout of the construction structure, the conditions of the sites and economic considerations. The major types of foundation works carried out by our Group are as follows:

##### (a) *ELS works*

It is a kind of substructure construction which generally takes part in the construction of basements, pile caps, footings and underground utilities. The general purpose of ELS works is to establish a supported area for deep excavation in order to facilitate subsequent construction of footing foundation or pile caps for further infrastructure development.

ELS works begin by the insertion of sheet pile wall, soldier pile wall and/or pipe pile wall into the soil for the planned excavation. The pile wall, together with underground pressure grouting, can generally reduce groundwater inflow and prevent the soil from falling from the side.

After insertion of the pile wall as mentioned above, excavation will be carried out within the enclosed area between the pile walls. When the level of excavation reaches specific depth, lateral support will be installed and then, further excavation will be performed again.

Lateral support is then added in order to keep the pile wall stable for deeper excavation. Lateral support works includes steel shoring on pile wall, lagging wall construction, soldier piled wall construction, bored piled wall construction, ground water control and dewatering, increasing the resistance of the adjacent ground to movements. The steps of excavation and installation of lateral support will be repeated until the desired depth of excavation is reached.

Pile caps construction and substructure construction will begin once excavation to the required depth is completed. ELS works are carried out beforehand to facilitate pile caps construction works.

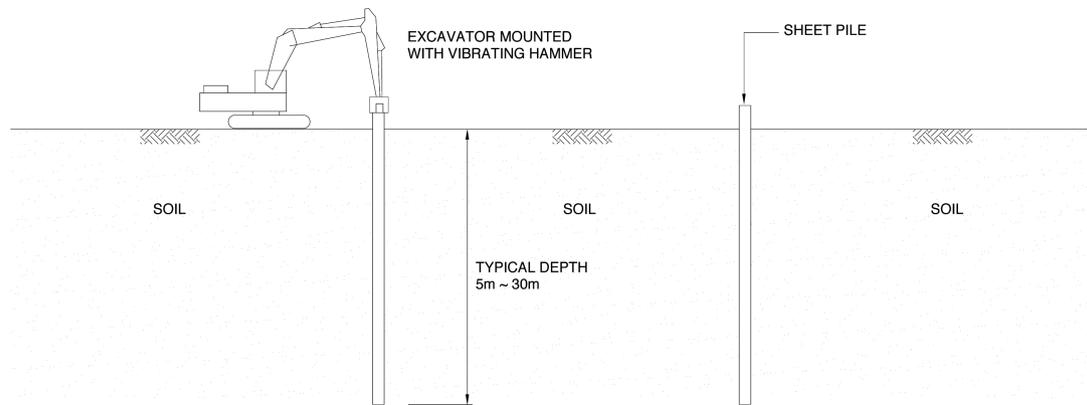
*(b) Pile caps construction*

Pile caps are considered part of the foundation and substructure construction. A pile cap is a thick concrete mat that rests on concrete or steel piles that have been driven into soft or unstable ground to provide a suitable stable foundation. It usually forms part of the foundation of a building, typically a multi-story building, structure or support base for heavy equipment. The cast concrete pile cap distributes the load of the building into the piles.

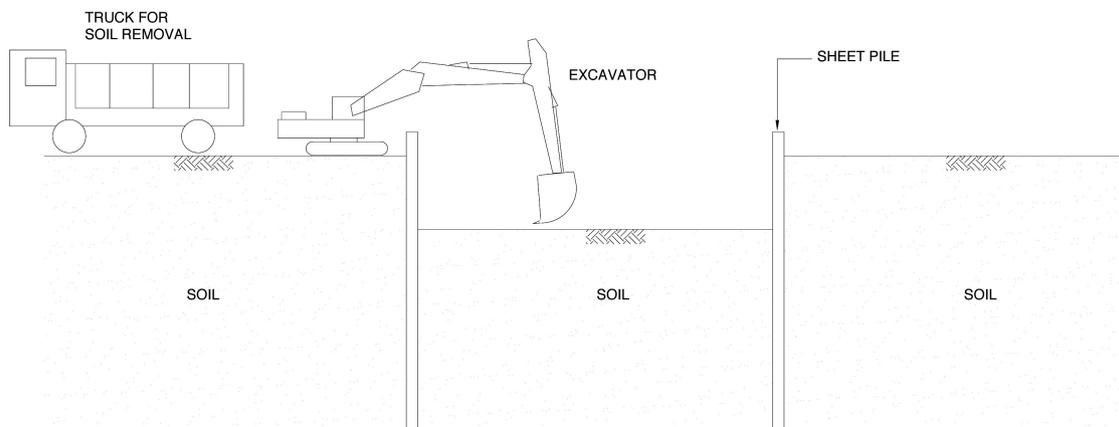
Piles are first inserted into the soil followed by the pile caps construction. As a final step, concrete is poured to form a pile cap.

The following diagram set forth the operation of our ELS works and pile caps construction works:

(i) Install sheet pile wall into the ground

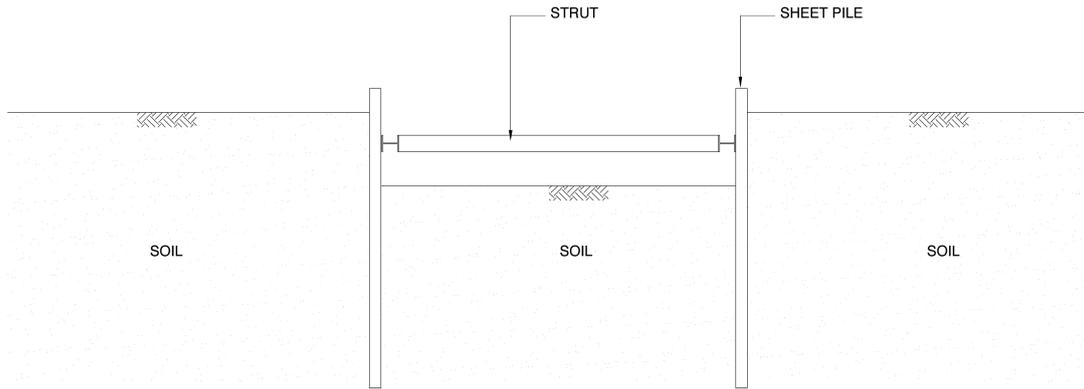


(ii) Excavate and remove the spoil

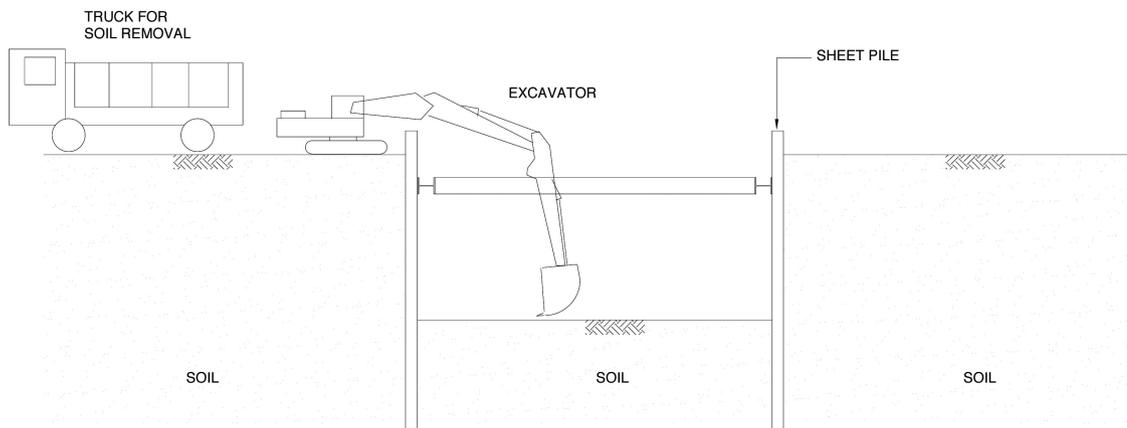


# BUSINESS

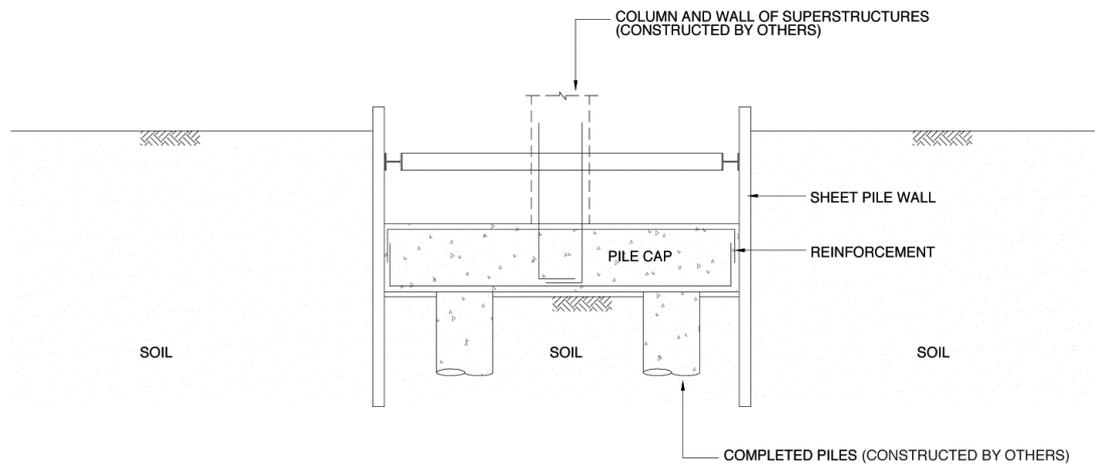
(iii) Install temporary struts for lateral support to the adjacent ground



(iv) Further excavate for the underground structures



(v) Construct the underground structures such as pile caps and footings



**(ii) Site formation works**

Site formation works are carried out in order to set up a suitable construction work site for the subsequent foundation and superstructure works to be carried out therein. Generally, site formation works carried out by our Group involve the following:

- (i) clearance of construction sites, removal of unaudited structures, shrubs, surface soil and debris excavation to the design formations and/or basement levels;
- (ii) preparing construction sites for subsequent foundation works, substructure construction, and/or superstructure construction;
- (iii) construction of retaining structures;
- (iv) construction of surface drainage systems;
- (v) demolition of existing structures; and
- (vi) cutting, filling and stabilisation of slopes.

**OUR FOUNDATION AND SITE FORMATION PROJECTS**

In Hong Kong, land owners, property developers or government departments usually initiate construction projects and engage main contractors to take up the responsibility of the overall administration and supervision of different kinds of construction works, including but not limited to foundation, site formation, demolition, erection of architectural superstructure and/or structural alteration. As concerns a foundation works project, the main contractor may have to take up piling, ELS and pile cap construction with some variations depending on the structures to be built on the site. It can either perform the works by itself or subcontract a specific part of the works to subcontractors, like our Group. According to the Ipsos Report, it is a common practice of the construction industry in Hong Kong for main contractors to outsource parts of construction projects to subcontractors for the following reasons:

- (i) the subcontractors can perform the same work for lower costs;
- (ii) the main contractor does not have the expertise in certain areas of the construction works; and/or
- (iii) the main contractor needs to share project workload due to the large project size and tight deadline for delivery of the construction works.

As a result, our Group, mainly acts as a subcontractor, and obtains projects from main contractors for a specific part of the construction works, namely, ELS works, pile caps construction works and site formation works.

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### Our tender success rate

During the Track Record Period, our Group mainly obtained construction projects through tenders. For each of the three years ended 31 March 2017, the aggregate number of projects obtained through tenders was 26, 20 and 27 respectively.

The following table sets forth the number of projects tendered and won by our Group for each of the three years ended 31 March 2017, respectively:

	<b>For the year ended 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Number of tenders submitted	65	60	72
Number of contracts awarded to our Group	26	20	27
Success rate (%)	40.0	33.3	37.5

*Note:* Tender success rate is calculated by dividing the number of contracts awarded in respect of the tenders submitted during a financial year by the number of tenders submitted during the financial year.

Our tender success rate had been relatively stable during the Track Record Period. Our Directors believe that our tender success rate was not particularly high because we had submitted some tenders upon receipt of invitation from our customers or potential customers in order to maintain our relationship with our customers and strengthen our presence in the foundation and site formation industry. More importantly, owing to our financial needs for expansion of our business, we had been more prudent in our estimation of costs and time and this approach might have caused our tender price less favourable than our competitors. Furthermore, it is our Directors' observation that our Group's reluctance or refusal to provide surety bonds as required by the conditions of tender has also affected our tender success rate.

### Private and public sector projects

During the Track Record Period, we undertook foundation and site formation works from both public and private sectors. Public sector projects generally refer to projects where the ultimate employer(s) are Government departments and statutory bodies while private sector projects generally refer to projects where the ultimate employer(s) are property developer(s), builder(s) and contractor(s). The following table sets forth the revenues generated by both private and public sector projects:

	<b>For the year ended 31 March</b>								
	<b>2015</b>			<b>2016</b>			<b>2017</b>		
	<i>No. of project handled</i>	<i>Revenue HK\$'000</i>	<i>% of total revenue</i>	<i>No. of project handled</i>	<i>Revenue HK\$'000</i>	<i>% of total revenue</i>	<i>No. of project handled</i>	<i>Revenue HK\$'000</i>	<i>% of total revenue</i>
Private sector	25	170,209	79.1	23	197,888	59.6	20	226,832	62.9
Public sector	10	44,877	20.9	14	134,377	40.4	21	133,649	37.1
Total	<u>35</u>	<u>215,086</u>	<u>100.0</u>	<u>37</u>	<u>332,265</u>	<u>100.0</u>	<u>41</u>	<u>360,481</u>	<u>100.0</u>

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### Projects by types of works during the Track Record Period

Depending on the requirements of our customers, during the Track Record Period, we carried out foundation works and/or site formation works for our customers. The table below sets forth a breakdown of our revenue generated by the types of works, namely, (i) foundation works; (ii) site formation works; and (iii) a mix of both the foundation works and site formation works for the years indicated:

	For the year ended 31 March					
	2015		2016		2017	
	<i>(approximately HK\$ million)</i>	<i>(%)</i>	<i>(approximately HK\$ million)</i>	<i>(%)</i>	<i>(approximately HK\$ million)</i>	<i>(%)</i>
Foundation works only	192.9	89.7	295.7	89.0	253.5	70.3
Site formation works only	2.2	1.0	0.9	0.3	20.8	5.8
Mixed <i>(Note)</i>	20.0	9.3	35.7	10.7	86.2	23.9
<b>Total</b>	<b>215.1</b>	<b>100.0</b>	<b>332.3</b>	<b>100.0</b>	<b>360.5</b>	<b>100.0</b>

*Note:* “Mixed” denotes both (i) foundation works and (ii) site formation works are provided in a project.

### Projects by amount of revenue recognised during the Track Record Period

For each of the three years ended 31 March 2017, there were 35, 37, and 41 projects contributing to our revenue respectively. The following table sets forth the breakdown of such contracts based on their respective revenue recognised during the Track Record Period:

	For the year ended 31 March		
	2015	2016	2017
	<i>No. of projects</i>	<i>No. of projects</i>	<i>No. of projects</i>
<b>Revenue recognised</b>			
HK\$50,000,000 or above	—	2	1
HK\$10,000,000 to below HK\$50,000,000	7	7	8
HK\$5,000,000 to below HK\$10,000,000	6	2	4
HK\$1,000,000 to below HK\$5,000,000	9	12	8
Below HK\$1,000,000	13	14	20
<b>Total</b>	<b>35</b>	<b>37</b>	<b>41</b>

### Projects completed during the Track Record Period and up to the Latest Practicable Date

During the Track Record Period and up to the Latest Practicable Date, we had completed 75 projects with a total original contract sum of approximately HK\$1,003.7 million which a total revenue of approximately HK\$862.9 million has been recognised for the three years ended 31 March 2017. The table below sets forth details of our projects completed during the Track Record Period and up to the

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Latest Practicable Date with the respective original contract sum of not less than HK\$10 million, which together had a total contract sum of HK\$868.6 million, representing approximately 86.5% of our total contract sum completed projects during the corresponding periods:

Project	Civil work/ building work	General particulars of the project	Type of service(s) provided (Note 1)	Commencement date (Note 2)	Completion date (Note 3)	Original contract sum (Note 4) (approximately HK\$ million)	Revenue recognised	Revenue recognised
							during the Track Record Period (Note 5) (approximately HK\$ million)	for the period from 1 April 2017 to the Latest Practicable Date (approximately HK\$ million)
No. 2-22 Tang Lung Street	Building work	ELS & pile caps	Foundation work	1 December 2013	1 July 2014	13.7	FY2015: 0.4	—
Tseung Kwan O Lot 115 Area 66D1	Building work	ELS & pile caps	Foundation work	1 January 2014	1 August 2014	59.3	FY2015: 39.8	—
No. 2-12 Jones Street	Building work	ELS & pile caps	Foundation work	1 February 2014	31 December 2014	14.2	FY2015: 15.1	—
Central-Wan Chai Bypass at Wan Chai West (Package 1) (HK/2012/08) (Note 7)	Civil work	Diaphragm Wall	Foundation work	15 February 2014	21 December 2015	36.5	FY2015: 12.0 FY2016: 1.3	—
Wong Chuk Hang Road	Building work	ELS & pile caps	Foundation work	1 April 2014	31 August 2014	10.3	FY2015: 13.4	—
Near No. 110, Repulse Bay Road	Building work	Site formation ELS and pile caps	Mixed	1 May 2014	1 December 2015	28.3	FY2015: 6.1 FY2016: 20.3	—
Central-Wan Chai Bypass at Wan Chai West (Package 2) (HK/2012/08) (Note 7)	Civil work	Guide Wall & Diaphragm Wall	Foundation work	20 May 2014	30 April 2016	23.8	FY2015:8.1 FY2016:7.4 FY2017:0.1	—
No. 8-12A Ha Heung Road	Building work	ELS & pile caps	Foundation work	1 September 2014	1 February 2015	12.5	FY2015:10.4	—
Yuen Long and Mui Wo Home Ownership Scheme (20130927) (Note 7)	Building work	Spoil disposal, ELS & pile caps, noise barrier erection	Foundation work	30 September 2014	31 October 2015	18.6	FY2015:3.6 FY2016:15.6	—
Lok Wo Sha Choi Sha Street	Building work	ELS & pile caps	Foundation work	1 November 2014	1 October 2015	75.7	FY2015: 39.6 FY2016: 39.9	—
Long Ping North	Building work	ELS & pile caps	Foundation work	1 March 2015	30 September 2015	84.5	FY2015: 5.6 FY2016: 76.1	(1.7)
Shatin Area 36C (Note 7)	Building work	ELS & pile caps	Foundation work	1 April 2015	1 August 2016	38.4	FY2016: 26.2 FY2017: 29.3	—
Phase 2 of Shek Mun Estate (20140186) (Note 7)	Building work	ELS & pile caps	Foundation work	22 May 2015	1 May 2016	59.7	FY2015: 0.1 FY2016: 51.4 FY2017: 2.5	—
No. 650 Cheung Sha Wan Road	Building work	ELS & pile caps	Foundation work	1 October 2015	1 April 2016	26.2	FY2016: 21.4 FY2017: 6.7	—
No.42-44 Kotewall Road	Building work	Site formation and pile caps	Mixed	1 November 2015	31 January 2017	47.5	FY2015: 0.2 FY2016: 10.6 FY2017: 36.5	—
Sheung Shui Choi Yuen Road (20130883) (Note 7)	Building work	ELS & pile caps	Foundation work	1 November 2015	30 April 2016	23.1	FY2016: 22.3 FY2017: 0.4	—

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Project	Civil work/ building work	General particulars of the project	Type of service(s) provided <i>(Note 1)</i>	Commencement date <i>(Noted 2)</i>	Completion date <i>(Note 3)</i>	Original contract sum <i>(Note 4)</i> <i>(approximately HK\$ million)</i>	Revenue recognised		Revenue recognised
							during the Track Record Period <i>(Note 5)</i> <i>(approximately HK\$ million)</i>	Latest Practicable Date <i>(approximately HK\$ million)</i>	for the period from 1 April 2017 to the Latest Practicable Date
Tseung Kwan O Lot 70 Area 86	Building work	ELS & pile caps	Foundation work	1 March 2016	1 September 2016	77.6	FY2016:4.1 FY2017:86.4	—	
Redevelopment of Shek Kip Mei Estate phase 3&7 <i>(20140516) (Note 7)</i>	Building work	ELS & pile caps	Foundation work	1 March 2016	1 October 2016	15.8	FY2016:0.6 FY2017:11.8	—	
No. 15 Middle Road	Building work	ELS & pile caps	Foundation work	1 September 2016	1 May 2017	64.2	FY2017:36.6	12.1	
Long Ping South	Building work	ELS & pile caps	Foundation work	1 September 2016	1 May 2017	56.0	FY2017:42.8	11.6	
Phase 4 of Kai Tak Development <i>(KL/2012/03) (Note 7)</i>	Civil work	Drainage works	Site formation work	1 December 2016	31 July 2017	11.4	FY2017: 8.4	2.3	
Tseung Kwan O phase 1 137 Public Fill Site <i>(CV/2013/06) (Note 7)</i>	Civil work	Surplus fill handling	Site formation work	1 October 2016	31 August 2017	32.9	FY2017:20.4	4.6	
Tseung Kwan O Area 65C2 phase 1 (20160130) <i>(Note 7)</i>	Building work	ELS & pile caps	Foundation work	1 April 2017	31 August 2017	38.4	— <sup>(6)</sup>	25.1	

**Notes:**

1. “Mixed” denotes both (i) foundation works and (ii) site formation works are provided in a project.
2. Unless otherwise specified, this refers to the contract date, the commencement date specified in the contract or the instruction issued by the customer’s representative pursuant to the contract.
3. Unless otherwise specified, this refers to the date of the last payment application/payment certificate for work done of our Group in a monthly interval or the release of half of the retention money.
4. Original contract sum excludes any variation orders or adjustments in contract sum after the award of contract.
5. “FY2015” denotes the financial year ended 31 March 2015, “FY2016” denotes the financial year ended 31 March 2016 and “FY2017” denotes the financial year ended 31 March 2017.
6. No work done during the Track Record Period and thus no revenue was recognised during the Track Record Period.
7. These projects are from the public sector.

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### Projects on hand as at the Latest Practicable Date

As at the Latest Practicable Date, we had 15 projects on hand (including projects in progress and projects which were awarded to us but yet to commence) with a total original contract sum of approximately HK\$411.6 million and out of which a total revenue of approximately HK\$44.9 million had been recognised during the Track Record Period, details of which are set out below:

Project	Civil work/ building work	General particulars of the project	Type of service(s) provided (Note 1)	Commencement date (Note 2)	Completion date (Note 3)	Original contract sum (Note 4) <i>(approximately HK\$ million)</i>	Amount of revenue	
							Track Record Period (Note 5) <i>(approximately HK\$ million)</i>	to be recognised after the Track Record Period as estimated by management <i>(approximately HK\$ million)</i>
Hong Kong-Zhuhai-Macao Bridge (Note 7) (HY/2013/02)	Civil work	Rebar fixing, formwork, concreting works & drainage	Mixed	1 October 2016	31 December 2017	107.3	FY2017: 33.5	106.5
Subsidised Sale Flats Development at Queen's Hill (Note 7) (20150596)	Civil work	Retaining wall	Site formation work	1 December 2016	31 March 2018	15.3	FY2017: 1.4	14.0
Hong Kong-Zhuhai-Macao Bridge (Note 7) (HY/2013/03)	Civil work	Road work and drainage	Mixed	1 March 2017	31 March 2018	71.6	FY2017:10.0	69.3
Tai Tong (YLTL524)	Building work	ELS & pile caps	Foundation work	1 May 2017	31 October 2017	11.0	— <sup>(6)</sup>	11.0
Kin Chuen Street (KCTL495)	Building work	Soil nail and ancillary works	Site formation work	1 August 2017	31 December 2017	1.9	— <sup>(6)</sup>	1.9
Development of Anderson Road Quarry Site — Site formation and Infrastructure Works (NE/2016/01) (Note 7)	Civil work	Site formation	Site formation work	1 August 2017	31 December 2018	72.2	— <sup>(6)</sup>	72.2
180-184 Shau Kei Wan Road	Building work	ELS and pile caps	Foundation work	1 August 2017	10 October 2017	2.6	— <sup>(6)</sup>	2.6
Hong Kong-Zhuhai-Macao Bridge (section between Scenic Hill and Hong Kong Boundary Crossing Facilities) (HY/2011/03) (Note 7)	Civil work	pipe cutting	Site formation work	1 October 2017	31 December 2017	0.9	— <sup>(6)</sup>	0.9
48-56 Ki Lung Street	Building work	ELS & pile caps	Foundation work	6 July 2017	30 September 2017	2.6	— <sup>(6)</sup>	2.6
4 Fuk Tong Road (Note 7)	Building work	ELS & footings	Foundation work	25 August 2017	31 January 2018	12.6	— <sup>(6)</sup>	12.6
2 Beacon Hill Road	Building work	Backfilling	Site formation work	1 August 2017	31 October 2017	0.5	— <sup>(6)</sup>	0.5

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Project	Civil work/ building work	General particulars of the project	Type of service(s) provided <i>(Note 1)</i>	Commencement date <i>(Note 2)</i>	Completion date <i>(Note 3)</i>	Original contract sum <i>(Note 4)</i> <i>(approximately HK\$ million)</i>	Amount of revenue	
							Revenue recognised during the Track Record Period <i>(Note 5)</i> <i>(approximately HK\$ million)</i>	to be recognised after the Track Record Period as estimated by management <i>(approximately HK\$ million)</i>
74 Repulse Bay Road	Building work	Raking shores	Site formation work	1 August 2017	15 October 2017	0.2	— <sup>(6)</sup>	0.2
N.K.I.L. 6534 Junction of Fuk Wing Street, Camp Street and Fuk Wa Street	Building work	ELS & pile caps	Foundation work	9 September 2017	28 February 2018	30.0	— <sup>(6)</sup>	30.0
Subsidised Sale Flats Development at Queen's Hill <i>(Note 7)</i> (20150596)	Building work	Pile caps & basement structures	Foundation work	15 October 2017	31 May 2018	78.7	— <sup>(6)</sup>	78.7
205-211A Hai Tan Street	Building work	ELS & pile caps	Foundation work	3 October 2017	15 December 2017	4.2	— <sup>(6)</sup>	4.2

*Notes:*

1. “Mixed” denotes both (i) foundation works and (ii) site formation works are provided in a project.
2. Unless otherwise specified, this refers to the contract date, the commencement date specified in the contract or the instruction issued by the customer’s representative pursuant to the contract.
3. Unless otherwise specified, this refers to the expected completion date estimated by management.
4. Original contract sum and amount of revenue to be recognised after the Track Record Period excludes any variation orders or adjustments in contract sum after the award of contract.
5. “FY2016” denotes the financial year ended 31 March 2016 and “FY2017” denotes the financial year ended 31 March 2017.
6. No work done during the Track Record Period and thus no revenue was recognised during the Track Record Period.
7. These projects are from the public sector.

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### Movement of our backlog

The following table sets forth the movement of backlog of our projects, representing the total original contract value of works which remain to be completed pursuant to the terms of the outstanding contracts as at a certain date and assuming performance in accordance with the terms of the contract, during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	<i>HK\$'000</i>	<i>Number of contracts attributed</i>	<i>HK\$'000</i>	<i>Number of contracts attributed</i>	<i>HK\$'000</i>	<i>Number of contracts attributed</i>
Opening aggregate original contract sum of backlog	181,105	15	430,516	20	357,906	22
Aggregate original contract sum of new contracts commenced <sup>(Note)</sup>	391,101	20	201,288	17	385,674	23
Aggregate original contract sum of completed contracts	<u>(141,690)</u>	<u>(15)</u>	<u>(273,898)</u>	<u>(15)</u>	<u>(361,063)</u>	<u>(28)</u>
Closing original contract sum of backlog	<u>430,516</u>	<u>20</u>	<u>357,906</u>	<u>22</u>	<u>382,517</u>	<u>17</u>

*Note:* The original contract sum is based on the initial agreement between our customer and us and may not include additions, modifications due to subsequent variation orders, as such final revenue recognised from a contract may differ from the original contract sum.

After the Track Record Period and up to the Latest Practicable Date, 15 additional projects with an aggregate original contract sum of approximately HK\$256.0 million were awarded to us, which were respectively located at (i) Tseung Kwan O Area 65 C2 phase 1; (ii) Tai Tong (YLTL524); (iii) Kin Chuen Street (KCTL495); (iv) Hong Kong-Zhuhai-Macao Bridge (Section between Scenic Hill and Hong Kong Boundary Crossing Facilities HY/2011/03); (v) Development of Anderson Road Quarry Site — Site Formation and Infrastructure works (NE/2016/01); (vi) No.2 Beacon Hill Road (excavation); (vii) No. 180–184 Shau Kei Wan Road; (viii) 48–56 Ki Lung Street; (ix) 4 Fuk Tong Road; (x) 2 Beacon Hill Road (backfilling); (xi) 74 Repulse Bay Road; (xii) Chinese University of Hong Kong (drainage); (xiii) N.K.I.L. 6534 Junction of Fuk Wing Street, Camp Street and Fuk Wa Street; (xiv) Subsidised Sale Flats Development at Queen's Hill (pile caps & basement structures); (xv) 205–211A Hai Tan Street. As at the Latest Practicable Date, No.2 Beacon Hill Road (excavation) project, Tseung Kwan O Area 65 C2 phase 1 project and Chinese University of Hong Kong (drainage) project have been completed while the remaining 12 projects are either in progress or yet to commence after the award of contracts to us.

As at the Latest Practicable Date, we had 15 contracts on hand. These 15 projects had a total outstanding original contract sum of approximately HK\$400.5 million as at 31 March 2017. Based on our Directors' estimation, taking into account the respective existing timetable, approximately HK\$347.4 million is expected to be recognised for year ending 31 March 2018 and approximately HK\$43.7 million is expected to be recognised for the six months ending 30 September 2018.

## **SALES AND MARKETING**

During the Track Record Period, our business opportunities mainly arose from two sources, namely, (i) tender invitations (mainly for foundation and site formation works); and (ii) requests of quotations from customers (mainly for machinery rental services). As such, we do not rely on any promotional or marketing activities. Our Directors believe that our reputation in the foundation and site formation industry, proven track record and well-established relationship with our existing customers enable us to capture business opportunities through the abovementioned sources. Our Directors are responsible for liaising and maintaining our relationship with customers. For each of the three years ended 31 March 2017, our entertainment expenses amounted to approximately HK\$1.9 million, HK\$1.8 million and HK\$2.5 million respectively, which mainly included costs incurred to maintain relationship with our Group's existing and potential customers and suppliers.

## **PRICING STRATEGY**

Our pricing is determined on a cost-plus pricing model in general with a markup, which is determined on a project-by-project basis. We estimate our cost of undertaking a project by taking into account the prevailing market conditions of the following pricing factors:

- the nature, scope and complexity of the works involved (for example, the estimated costs would be higher for projects which require rock excavation);
- the availability of our manpower, machinery and resources (including financial resources to satisfy the surety bond requirement);
- the material costs and subcontracting charges involved in the project; and
- the expected project timetable and completion time requested by the customer.

During the Track Record Period and up to the Latest Practicable Date, we had not experienced any loss-making projects. Our Directors believe that it was due to our established measures in closely supervising our subcontractors' performance and the progress of works to keep up with the project schedule. Our Directors also consider that the impacts of any changes in market condition during the Track Record Period would not significantly affect the above-mentioned pricing factors due to the relatively short durations of our projects. The average durations of the projects undertaken by us during the Track Record Period for each of the three years ended 31 March 2017 are approximately 11 months, 10 months and five months respectively. Our Directors believe that the decreasing trend of average duration of the projects undertaken by us can be explained by our Group's having been engaged in more civil works than building works for two years ended 31 March 2016 and the proportion of building works increased for the year ended 31 March 2017. The duration of our civil works is around one to 56 months whereas the duration of our building works is around one to 21 months. Nevertheless, it is important for us to accurately assess our cost, taking into account of the factors set out above for each individual project prior to entering into service contracts with our customers to avoid over or under-budget and ensure that adequate profit from the relevant project can be generated. We have in place a series of cost assessment procedures in order to have an accurate assessment and analysis of the costs to be incurred by our Group as the subcontractor in the project.

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### CUSTOMERS

During the Track Record Period, our major customers included main contractors and subcontractors in both public and private construction projects in Hong Kong. Set out below is a breakdown of our revenue of our five largest customers:

#### For the year ended 31 March 2015:

Customer	Revenue <i>(approximately HK\$'000)</i>	Approximate percentage to the revenue of our Group for that year <i>(%)</i>	Principal business activities or sector of the customer	Credit period and payment method	Approximate year(s) of business relationship up to the Latest Practicable Date
Kin Wing Group <i>(Note 1)</i>	146,587	61.4	A construction contractor based in Hong Kong and principal activities of which include Foundation and piling	30 days after certifying work done, by cheque	5
China State Group <i>(Note 2)</i>	45,396	19.0	A construction contractor with principal activities of civil and foundation engineering works, project management	30 days after certifying work done, by cheque	10
Granbo Construction Company Limited	19,754	8.3	A construction contractor based in Hong Kong which is a subsidiary of Henderson Land Development Limited (Stock Code: 12) and principal activities of which include foundation and piling works	30 days after certifying work done, by cheque	7
Shanghai Tunnel Engineering Company Limited	10,488	4.4	A construction contractor, the shares of which are listed on the Shanghai Stock Exchange. Its principal activities include urban infrastructure construction	30 days after certifying work done, by cheque	8
Customer A	2,310	1.0	A construction subcontractor based in Hong Kong and principal activities of which include foundation and site formation works	45 days after certifying work done, by cheque	3

*Notes:*

1. Kin Wing Engineering Company Limited and Kin Wing Foundations Limited were ultimately controlled by the same shareholder.
2. China State Construction Engineering (Hong Kong) Limited and China State Foundation Engineering Limited contributed revenue to our Group and they were ultimately controlled by the same shareholder.

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**For the year ended 31 March 2016:**

Customer	Revenue (approximately HK\$'000)	Approximate percentage to the revenue of our Group for that year (%)	Principal business activities or sector of the customer	Credit period and payment method	Approximate year(s) of business relationship up to the Latest Practicable Date
Kin Wing Group (Note 1)	258,390	74.0	A construction contractor based in Hong Kong and principal activities of which include Foundation and piling	30 days after certifying work done, by cheque	5
China State Group (Note 2)	34,627	9.9	A construction contractor with principal activities of civil and foundation engineering works, project management	30 days after certifying work done, by cheque	10
Vibro (H.K.) Limited	22,343	6.4	A subsidiary of NWS Holdings Limited (stock code: 0659), the shares of which are listed on the Main Board of the Stock Exchange and the principal activities of which mainly include foundation and piling works	45 days after receiving invoices, by bank transfer	2
Granbo Construction Company Limited	11,149	3.2	A construction contractor based in Hong Kong which is a subsidiary of Henderson Land Development Limited (Stock Code: 12) and principal activities of which include foundation and piling work	30 days after certifying work done, by cheque	7
Shanghai Tunnel Engineering Company Limited	10,364	3.0	A construction contractor, the shares of which are listed on the Shanghai Stock Exchange. Its principal activities include urban infrastructure construction	30 days after certifying work done, by cheque	8

*Notes:*

1. Kin Wing Engineering Company Limited and Kin Wing Foundations Limited contributed revenue to our Group and they were ultimately controlled by the same shareholder.
2. China State Construction Engineering (Hong Kong) Limited and China State Foundation Engineering Limited contributed revenue to our Group and they were ultimately controlled by the same shareholder.

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**For the year ended 31 March 2017**

Customer	Revenue <i>(approximately HK\$'000)</i>	Approximate percentage to the revenue of our Group for that year <i>(%)</i>	Principal business activities or sector of the customer	Credit period and payment method	Approximate year(s) of business relationship up to the Latest Practicable Date
Kin Wing Group <i>(Note 1)</i>	251,974	66.2	A construction contractor based in Hong Kong and principal activities of which include Foundation and piling	30 days after certifying work done, by cheque	5
Customer B	43,578	11.4	A construction subcontractor based in Hong Kong which is a subsidiary of a public company listed on the Growth Enterprise Market of the Stock Exchange and the principal activities of which include road and drainage works, structural works and site formation works	45 days after certifying work done, by cheque	
Customer C	32,039	8.4	A construction subcontractor based in Hong Kong which is a subsidiary of a public company listed on the Main Board and the principal activities of which include foundation and site formation works, general construction works, machinery rental	30–60 days after certifying work done, by cheque	1
China State Group <i>(Note 2)</i>	27,328	7.2	A construction contractor with principal activities of civil and foundation engineering works, project management	30 days after certifying work done, by cheque	10
Customer D	8,368	2.2	A construction subcontractor based in Hong Kong which is a subsidiary of a public company listed on the Main Board and the principal activities of which include site formation works, superstructure works, fitting out and renovation works	30 days after certifying work done, by cheque	1

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### Notes:

1. Kin Wing Engineering Company Limited, Kin Wing Foundations Limited and Customer Z contributed revenue to our Group and they were ultimately controlled by the same shareholder.
2. China State Construction Engineering (Hong Kong) Limited and China State Foundation Engineering Limited contributed revenue to our Group and they were ultimately controlled by the same shareholder.

### Customer Concentration

Our five largest customers accounted for approximately 94.1%, 96.5% and 95.4% of our total revenues for each of three years ended 31 March 2017, respectively. In particular, approximately 61.4%, 74.0%, and 66.2% of our total revenue in the respective period was attributable to Kin Wing Group.

### Relationship with Kin Wing Group

Kin Wing Group consists of (i) three wholly-owned subsidiaries of Chinney Kin Wing Holdings Limited, a public company listed on the Main Board which is principally engaged in the business of foundation construction (“**Chinney Kin Wing**”); and (ii) a subsidiary of another public company listed on the Main Board which is principally engaged in the business of property development and property investment (“**Listed Company A**”). Notwithstanding Chinney Kin Wing and Listed Company A are two separate group of listed companies engaged in different business and to the best knowledge of our Directors, each of them maintains different operation and majority management team and has different scale of operation, during the Track Record Period and up to the Latest Practicable Date, Chinney Kin Wing and Listed Company A are ultimately controlled by the same controlling shareholder. Chinney Kin Wing had a market capitalisation of approximately HK\$495.0 million as at the Latest Practicable Date. According to the latest annual report of Chinney Kin Wing for the year ended 31 December 2016 published on the website of the Stock Exchange, it recorded a revenue of approximately HK\$1.4 billion and a net profit of approximately HK\$102.0 million. Chinney Kin Wing is one of the established main contractors in Hong Kong. Listed Company A had a market capitalisation of approximately HK\$3.9 billion as at the Latest Practicable Date. According to the latest annual report of the holding company of Listed Company A for the year ended 31 March 2017 published on the website of the Stock Exchange, it recorded a consolidated turnover of approximately HK\$1.6 billion and a net profit attributable to shareholders of approximately HK\$584.9 million. Listed Company A mainly focused its property development and property investment business on three major cities in China, namely Shenzhen, Guangzhou and Chongqing while focused mainly on property investment in Hong Kong.

Our Group recognised revenue from Kin Wing Group in a total of 32 projects during the Track Record Period. For each of the three years ended 31 March 2017, the revenue from Kin Wing Group amounted to approximately HK\$146.6 million, HK\$258.4 million and HK\$252.0 million, respectively and our Group’s success rates for tenders submitted to Kin Wing Group were approximately 46.4%, 42.1% and 30.0%, respectively. For each of the two years ended 31 March 2016, the tender success rates for our tenders submitted to Kin Wing Group is slightly higher than our overall tender success rates of 40.0% and 33.3%, respectively. As main contractors would generally give preference to those subcontractors with whom they have prior business relationship, our Directors believe that our stable and sustainable business relationship with Kin Wing Group since 2013 contributed to such higher tender success rates. However, the tender success rates for our tenders submitted to Kin Wing Group decreased from 42.1% for the year ended 31 March 2016 to 30.0% for the year ended 31 March 2017. Our Directors believe that it was due to our strategy to diversify our customer base, under which our Group

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had been more prudent in our estimation of costs and times in response to the tender invitations from Kin Wing Group in view of our availability of manpower and capital resources. Despite the decrease in tender success rates for our tenders submitted to Kin Wing Group, our overall tender success rate increased from 33.3% to 37.5% for the same period. Therefore, our Directors believe that our strategy to diversify our customer base would not have any material impact on our ability to secure projects from our customers. The following table sets forth the movement of backlog of our projects awarded by Kin Wing Group during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	<i>HK\$'000</i>	<i>Number of contracts attributed</i>	<i>HK\$'000</i>	<i>Number of contracts attributed</i>	<i>HK\$'000</i>	<i>Number of contracts attributed</i>
Opening aggregate original contract sum of backlog	95,413	6	314,958	9	258,270	10
Aggregate original contract sum of new contracts commenced <i>(Note)</i>	327,610	12	151,175	9	126,196	6
Aggregate original contract sum of completed contracts	<u>(108,065)</u>	<u>(9)</u>	<u>(207,863)</u>	<u>(8)</u>	<u>(261,420)</u>	<u>(12)</u>
Closing original contract sum of backlog	<u>314,958</u>	<u>9</u>	<u>258,270</u>	<u>10</u>	<u>123,046</u>	<u>4</u>

*Note:* The original contract sum is based on the initial agreement between Kin Wing Group and us and may not include additions, modifications due to subsequent variation orders, as such final revenue recognised from a contract may differ from the original contract sum.

Subsequent to the Track Record Period and up to the Latest Practicable Date, seven new contracts from Kin Wing Group were awarded to us and five of them were awarded by Kin Wing Foundation Limited and the remaining two was awarded by Customer Y, a fellow subsidiary which our Group did not generate any revenue during the Track Record Period. These seven new contracts had an aggregate original contract sum of approximately HK\$52.5 million.

As at 31 March 2015, 2016 and 2017, the trade receivables from Kin Wing Group amounted to approximately HK\$2.0 million, HK\$17.3 million and HK\$7.8 million, respectively. All of our trade receivables from Kin Wing Group as at 31 March 2017 had been settled up to the Latest Practicable Date. Further, as at 31 March 2015, 2016 and 2017, the retention receivables from Kin Wing Group amounted to approximately HK\$4.3 million, HK\$6.6 million and HK\$10.0 million, respectively. Approximately 2.7% of the retention receivables from Kin Wing Group as at 31 March 2017 had been subsequently settled as at the Latest Practicable Date. The remaining outstanding retention receivables from Kin Wing Group of approximately HK\$9.7 million represented the retention receivables in relation to 11 projects which were in the course of finalising the accounts and our Directors expected that all these outstanding retention receivables will be released within 12 months. In view of the nature of the

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outstanding retention receivables, past payment record and our collection experience with Kin Wing Group, our Directors consider that these outstanding balances of retention receivables from Kin Wing Group are collectible.

As at 31 March 2015, 2016 and 2017, the net amounts due from customers for contract work attributable by the projects awarded by Kin Wing Group amounted to approximately HK\$12.8 million, HK\$15.0 million and HK\$13.1 million, respectively. The total amounts due from customers for contract work arising from projects awarded by Kin Wing Group as at 31 March 2017 were subsequently certified in full up to the Latest Practicable Date. Further, the retention payables to Kin Wing Group amounted to nil, nil and approximately HK\$0.2 million, respectively, as at 31 March 2015, 2016 and 2017.

Please refer to the section headed “Risk factors — Our Group had a concentration of customers during the Track Record Period and any decrease or loss of business from these major customers could adversely and substantially affect our operations and financial conditions” in this prospectus for the customer concentration risk.

### **Reasons for our customer concentration**

Our Directors consider that the reasons for our customer concentration during the Track Record Period is a combination of the following key factors:

- (i) *Valued business partners:* Our Group is able to maintain a stable relationship with our major customers. We started our business relationship with Kin Wing Group in 2013. According to the Ipsos Report, reputation and proven practical industry experience are important competitive factors in the foundation and site formation industry in Hong Kong. While main contractors prefer subcontractors with reputation and proven practice industry experience, our Directors consider that renowned main contractors like Kin Wing Group is our preferred customer who can reduce our credit risk, strengthen our job reference and reinforce our position within the industry. Throughout our long-term course of dealings, we believe our Group and Kin Wing Group have developed, to a certain extent, a stable and sustainable business relationship in terms of cost effectiveness, efficient communication and satisfactory level of service quality; and
- (ii) *Nature of the foundation and site formation industry:* According to the Ipsos Report, it is common that subcontractors have a relatively high customer concentration due to their good relationships with several main contractors and their scale of operation, and the basis and explanations for such high customer concentration are as follows:

- 1. Good relationship with several main contractors

In the construction industry, maintaining good relationships with customers is a critical factor to maintain competitiveness. Besides, main contractors tend to delegate their projects to the subcontractors with well-developed relationship due to a better understanding of their proven track record. Hence, it is common for subcontractors to maintain good business relationships with a few main contractors and tender most of the sub-contract works for them.

2. Smaller scale of operation

Foundation and site formation projects are generally large scale and labour-intensive. However, in the foundation subcontracting segments, the majority are small to medium sized companies, who may possess limited resources, both specialised machinery, construction materials and skilled manpower. Therefore, given the limited capacity of subcontractors, it is not uncommon for subcontractors to focus on a few projects with considerable contract sum concurrently and to allocate a large portion of resources to serve few main contractors which are with the well-developed relationship. In particular, high level of customer concentration is even more common for subcontractors which are having a long-term relationship with key main contractors in the industry owing to the number of projects to be implemented.

Therefore, our customer concentration is line with the industry norm. According to the Ipsos Report, proven practical industry experience is one of the important competitive factors in the foundation and site formation industry. Our Directors consider that main contractors tend to invite those subcontractors with whom they have prior business relationship in submission of tender or quotation and as such, it is usual for subcontractors to have customer concentration.

**Sustainability of our business**

Our Directors are aware of the risk of customer concentration. In this connection, we have, on the one hand, continued to provide services to and maintain good relationship with Kin Wing Group, and, on the other hand, continued to reduce our customer concentration on Kin Wing Group by undertaking more projects from other customers. Based on the projects on hand (including projects that have commenced but not yet completed as well as projects that have been awarded to us but yet to be commenced) as at the Latest Practicable Date and our Directors' estimate on future projects with Kin Wing Group, the expected amount of revenue to be recognised from Kin Wing Group for the year ending 31 March 2018 will contribute to approximately 30.0% of our total revenue. By comparing the amount of revenue recognised during the year ended 31 March 2017, the expected amount of revenue to be recognised from Kin Wing Group for the year ending 31 March 2018 is expected to decrease from approximately 66.2% to 30.0% as our Group had continued to diversify and expand our customer base during the Track Record Period and up to the Latest Practicable Date. Our Directors expect that we will continue to secure projects from customers other than Kin Wing Group to lessen the extent of customer concentration for the year ending 31 March 2018 and onward. Further, our Directors consider that the loss of any business from Kin Wing Group will not affect our Group's sustainability in the long run based on the following reasons:

- (i) *Diversification of customer base:* Our Group had been successful in diversifying our customer base by entering into contracts with customers other than Kin Wing Group during the Track Record Period and up to Latest Practicable Date. For the 15 additional projects awarded to us after the Track Record Period and up to the Latest Practicable Date, eight of them were from customers other than Kin Wing Group. The aggregate original contract sum of these eight projects and seven projects from Kin Wing Group are approximately HK\$203.5 million and HK\$52.5 million, respectively. Notwithstanding that, taking into account the large scale of operation of Kin Wing Group and its reputation in the construction industry in

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Hong Kong, our Directors believe that our provision of foundation and site formation works to it would not only generate substantial and stable revenue from Kin Wing Group, it can also demonstrate our ability of performing and completing foundation and site formation works with good quality in a timely manner to other main contractors. This would help enhance our Group's reputation and credibility in the foundation and site formation works industry. Hence, along with our plan to diversify our customer base, we will continue to maintain our long-term business relationship with Kin Wing Group. Our Directors will continue to expand our business network with potential customers in the market through our own efforts and details of which are set out in the paragraph headed "Business — Sales and marketing" in this prospectus.

- (ii) *Strong demand of foundation and site formation works in Hong Kong:* According to the Ipsos Report, the construction industry has been a major driver of Hong Kong's economic growth since 1997 and the Government's initiatives to increase the housing supply will continue to support the demand for foundation and site formation works in Hong Kong in the near future. As one of the major players of the foundation and site formation works industry, we had also experienced a strong demand during the Track Record Period as evidenced by our growth in revenue. Our Directors believe that we would be able to find other customers in the unlikely event that our current business relationship with Kin Wing Group deteriorates.
- (iii) *Our proven track record in the industry:* Our Directors believe that our established operating history and proven track record would enhance our reputation and assist us in securing projects from different customers. In addition, our Directors consider that our long-term business relationship with renowned Kin Wing Group, can be regarded as a credit of our high quality services, which in turn allows our Group to attract more potential customers. Furthermore, given that our foundation and site formation projects are non-recurring in nature, we enter into contracts with our customers on project-by-project basis and there is no contractual term prohibiting us from developing business relationship with new customers. Therefore, even if Kin Wing Group does not provide new foundation and site formation works projects to our Group or terminates its business relationship with us (which is unlikely), we believe we would be able to reallocate our operational resources to serve other existing customers and/or new customers in a timely manner.
- (iv) *Transferability of our skills:* Our Group's business model and the foundation and site formation services provided by us are adaptable in serving different customers' needs. In the unlikely event that our current business relationship with Kin Wing Group deteriorates or ceases, we shall still be able to avail our resources to serve other existing customers or new customers in a timely manner. Our Directors are of the view that, our services and related skills can be readily transferred to serve other potential new customers and satisfy their needs. Based on our experience, we foresee that it would not incur significant costs for our Group to re-allocate our resources to serve new customers.

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- (v) *Our plan to expand our scale of operation:* Our business strategies in the future include, among others, competing for more foundation and/or site formation projects and in particular, projects from the public sector. For further details of our business strategies, please refer to the section headed “Business — Business strategies” in this prospectus. Our Directors are confident that with the increase in scale and our efforts on approaching new customers, our Group will not place any reliance on a single customer in the future.

### **Relationship with our five largest customers during the Track Record Period**

None of our Directors, their respective close associates, or any Shareholders who or which, own more than 5% of the issued share capital of our Company as at the Latest Practicable Date, had any interest in any of the five largest customers of our Group during the Track Record Period. All of the five largest customers are Independent Third Parties. During the Track Record Period, our Group had not experienced any major disruption in business due to material delays or defaulting payments by our customers by reason of their financial difficulties. Our Directors further confirm that they are not aware of any of our major customers having experienced material financial difficulties that may materially affect our Group’s businesses.

### **Major contract terms with our customers**

Since we mainly act as subcontractors in construction projects, the contracts with our customers generally require us to observe the terms in the main contract entered between our customers as the main contractor and its customer. Set out below is a summary of typical key terms of our contracts with our customers:

#### Contract price

The contract sum of our contracts is either a lump sum fixed price or a provisional price subject to remeasurement.

For the lump sum fixed price contract, we undertake to carry out a defined scope of works in return for an agreed fixed contract price and no re-measurement will be conducted except for works conducted pursuant to variation orders issued by customers.

For a contract with a provisional price, which is subject to remeasurement, we are provided with a reference schedule showing the items, brief description and quantities of works to be performed by us and the final contract sum will be subject to remeasurement upon completion of work.

For both kinds of contracts, the contract price may be adjusted due to any variation orders in the defined scope of works following the mechanism specified in the relevant contract.

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Duration of projects	<p>Generally, both the expected commencement date and expected completion date are stipulated in the contracts between our Group and our respective customers. However, the actual or final completion date may be beyond the scheduled completion date due to various reasons, mainly including unanticipated geological conditions of the construction sites, adverse weather and variations of works ordered by customers. Based on our completed projects during the Track Record Period, the duration of our civil works projects is around one to 56 months and the duration of our building works projects is around one to 21 months.</p> <p>In light of the above, there is an “extension of time” provision in the contracts, which stipulates a mechanism for us to apply for an extension on the completion date so that we would not have to pay any liquidated damages for the delay of completion where the cause is beyond our control.</p>
Payment terms	<p>We are usually entitled to submit interim payment applications to our customers, usually on a monthly basis, with regard to the amount of works completed as set out in the contract in that month. The contract also stipulates both the monthly cut-off date and the party representing the customer, such as the customer’s designated surveyor, architect or project manager, to certify the value of the amount of works completed. For some of the projects, our customers and/or their authorised persons will carry out an inspection on the completed works before they issue a payment certificate to certify the value of the amount of works completed by our Group. After the relevant party has certified the value of works completed, our customers usually arrange settlement of the payment in Hong Kong dollars by cheque or bank transfer. We generally offer our customers a credit term of 15 to 45 days after issuance of our invoice.</p>
Retention money	<p>Retention money is retained by some of our customers in order to secure our due performance under the contract. Subject to negotiation between the parties, the amount of retention money usually represents 5% or 10% of the value of works certified in each payment, subject to a maximum retention of 2.5%, 5% or 10% respectively of the total original contract value. Half of the retention money is usually released to us after the issuance of last payment certificate and the remaining half is released to us after six months or 12 months following the completion of the work. As at 31 March 2015, 2016 and 2017, the amount of retention money receivables was approximately HK\$7.8 million, HK\$12.3 million and HK\$16.2 million respectively.</p>

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Our Directors confirm that there was no material claim against us in relation to work defects or substandard workmanship which had been brought against our Group by our customers during the Track Record Period and up to the Latest Practicable Date.

### Insurance

It is the obligation of the main contractor of the construction project to effect all necessary insurance policies for its subcontractors, such as employees' compensation, contractors' all risk insurance and third party liability insurance. Under the contracts, we are required to report any accident or injury happened to our staff and our subcontractor's staff to the main contractor within stipulated time.

### Variation orders

Our customers are entitled to request us to carry out variation works, which may involve the alterations or modifications of the design, quality or quantity of the works as described in the contract. A term setting out the mechanism for reaching a variation order between our customers and us is stipulated in the contract. The term also specifies the names and particulars of our customer's representatives in issuing variation orders to us, which entitles us to receive payments on our works performed under the variation orders.

### Termination

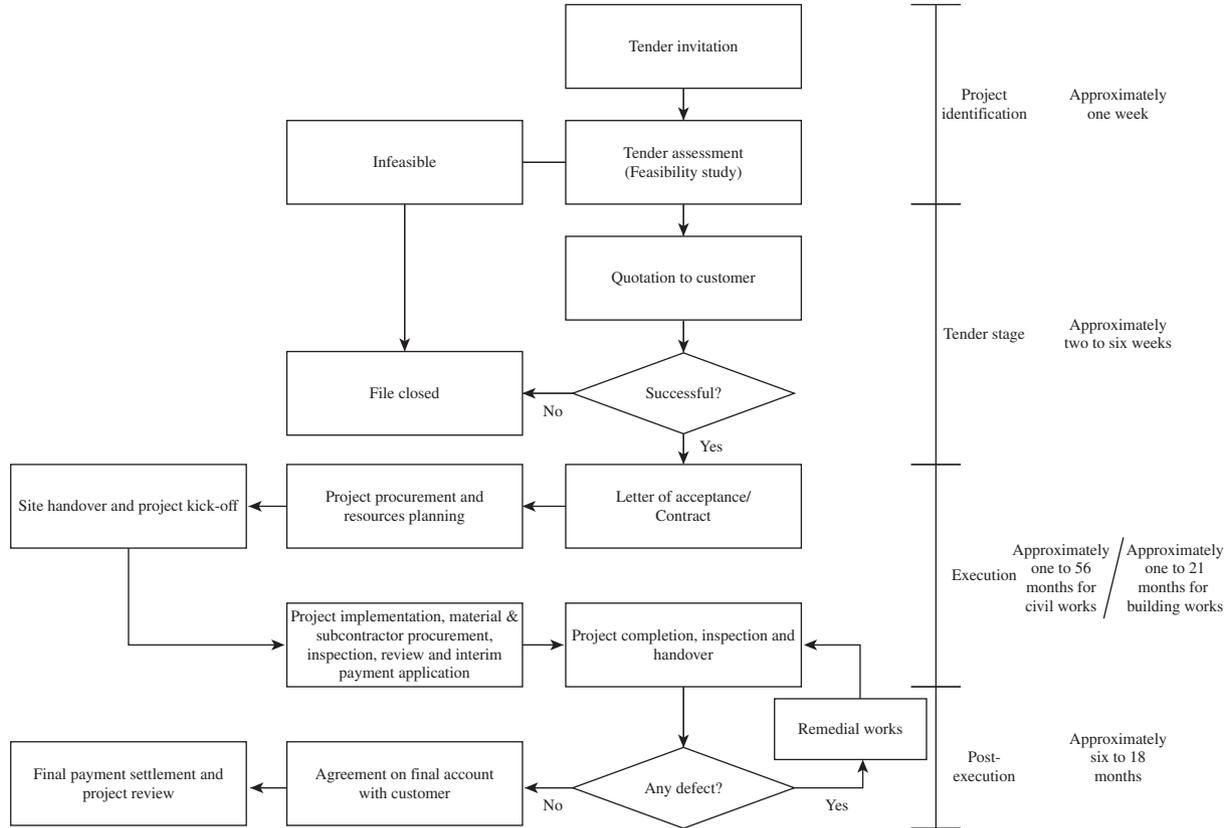
In the event of termination of the main contract between the ultimate employers and our customers, our contracts with our customers will also be terminated correspondingly. Furthermore, in the event of default on our part such as failing to proceed with the contract work diligently, becoming bankrupt or going into liquidation or a petition having been filed for our bankruptcy and without reasonable cause abandoning or suspending to carry out the contracted works, our customers may terminate the contract by serving notice to us.

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## OPERATION FLOW

### Foundation and site formation works

For illustration purposes, a simplified flow diagram of our key operational procedures relating to our foundation and site formation projects is set out below:



### Project identification

Projects are generally awarded to us through tender by invitation. Our customers, who are main contractors of various types of civil works and building works projects in Hong Kong, invite us to submit tenders by way of invitation letters or verbal invitations. During this preliminary stage, we are usually provided with preliminary information on the specifications, site conditions and relevant drawings.

### Tender assessment and feasibility study

After receiving the tender or quotation details, our executive Directors will make preliminary assessment of a potential tender. In considering whether to bid for the tender, we generally take into account the following factors, namely (i) the profitability of the project; (ii) the feasibility of undertaking such project with reference to the technical specifications, our capacity and expertise, our then available labour and financial resources; (iii) cost of materials and labours; (iv) project schedule; (v) quality expectation; (vi) preliminary safety and environmental risk analysis and other relevant risk factors associated with such project; and (vii) whether the conditions of tender require us to provide surety bond. If we find it necessary, we will also visit the relevant site for the purpose of assessing the

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complexity of the works to be performed. Our executive Directors will then decide whether to bid for the tender or not after considering all relevant factors. We may decline a tender invitation if our then prevailing resources are already taken up by other projects.

If our Directors consider that a project is commercially viable, our tender department will proceed to prepare for the submission of tender with the assistance of our project managers and quantity surveyors. Prior to the preparation of tender documents, our tender department will first review the project requirements in detail, and obtain quotations from suppliers and subcontractors if necessary. Subject to the conditions of the site, we will quote the prices by considering specific factors including (a) whether there are any underground utilities, particularly power cables; (b) the condition of the structures of the site and those adjacent to the site; (c) the nature of the locality of the site; (d) whether there are any potential difficulties in carrying out the works, such as the size and landscape of the site restricting the accessibility of required machinery; (e) resources required in terms of machinery and manpower; (f) allowable project duration; (g) past prices offered to the customers; and (h) prevailing market conditions. For details of our pricing strategy, please refer to the paragraph headed “Pricing strategy” in this section.

### **Project acceptance**

Upon receipt of our tender, our customer may, by way of interview or enquiries, clarify with us the particulars of our submitted tender. Once a customer decides to engage us, it will inform us of its acceptance of our tenders by issuing a letter of acceptance or an email notifying the acceptance to us. A formal agreement will then be entered into between the customer and our Group. For details of the salient terms of our typical contract, please refer to the paragraph headed “Major contract terms with our customers” in this section.

### **Project execution**

Once a project is awarded to us, our tender department will give a brief account of the basic information of the works and highlight the key features thereof to our project team. Depending on the scale and complexity of individual projects, a project team is formed for each project which generally comprises the following key personnel: a technical supervisor (if necessary), a senior project manager/project manager, a site agent, a quantity surveyor a safety officer, a safety supervisor and a site supervisor/foreman. Our project team will then work out a preliminary plan for carrying out the project in order to ensure that the project can be executed effectively and efficiently. This preliminary plan also contains the arrangements with subcontractors (if applicable) and/or suppliers (if necessary), the deployment of labour and general health, safety and environmental plans for the project.

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The table below sets out the major responsibilities of each key member in a project team:

Senior project manager/ Project manager	<ul style="list-style-type: none"><li>● Conduct overall planning and control project budget</li><li>● Monitor work efficiency</li><li>● Ensure compliance with contractual and statutory requirements as well as internal quality environmental and safety policies</li></ul>
Technical supervisor	<ul style="list-style-type: none"><li>● Supervise the overall site operation</li><li>● Advise on construction sequences and methodologies</li></ul>
Site agent	<ul style="list-style-type: none"><li>● Oversee the engineering and technical aspects of the project</li><li>● Assist the project manager in liaising with our customers on site on technical aspects of the project</li><li>● Take necessary site records</li></ul>
Quantity surveyor	<ul style="list-style-type: none"><li>● Inspect work progress on site and prepare payment application</li><li>● Update project manager with the latest certified progress from our customers</li></ul>
Site supervisor/Foreman	<ul style="list-style-type: none"><li>● Supervise workers and subcontractors on site</li><li>● Procure materials and check all machinery and hand tools on site (if any) were maintained in good conditions</li><li>● Organise site works to be carried out to the required standard</li></ul>
Safety officer	<ul style="list-style-type: none"><li>● Implement safety plan and improve staff and workers safety awareness</li><li>● Facilitate the safety audit process</li><li>● Investigate, record and report industrial accidents</li><li>● Advise our Board on the latest regulatory requirements</li></ul>
Safety supervisor	<ul style="list-style-type: none"><li>● Perform check and inspection on site safety</li><li>● Ensure compliance of site staff with the applicable safety laws and regulations, site safety instructions and our guidelines</li><li>● Conduct safety training to all workers on site</li></ul>

### **Monitoring the project progress**

Our project team is responsible for monitoring the work progress, costs incurred and quality of works in carrying out the contract in order to ensure that both our customer's requirements and statutory requirements can be met. Generally, the project team is required to report to our Directors at least once a month so as to ensure that the project progress is in accordance with the schedule set by our customers and to allocate sufficient resources such as staff and machinery and equipment for the project. The project team will assist in preparing the payment application, based on the amount of works completed on a monthly basis. Quantity surveying department will submit the payment application to the customers or their representatives for certifying the actual work done under the contract. Our Directors confirmed

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that our Group did not experience any material costs overrun, disputes with our customers or subcontractors and delay or disruption in our foundation and site formation works during the Track Record Period.

Our Directors consider that maintaining effective frequent communications with customers is important to enhance our customers' satisfaction. As such, our project team will review the progress of implementation of our works, maintain close contact with our customers and their representatives such as project managers, engineers, site supervisors and quantity surveyors, and report to them regarding the site progress and resolve any problems which may arise when carrying out the contract works. The project manager is responsible for communicating with our customer with respect to the additional or variation works to be undertaken by our Group, which may entitle us to additional payments under the variation orders, instructions and seeking feedback from customers.

On the other hand, our project team is also responsible for engaging and procuring suitable subcontractors and/or materials if required under the projects. For details of procurement of subcontractors and suppliers, please refer to the paragraphs respectively headed "Business — Subcontracting" and "Business — Our suppliers" in this prospectus.

If the project requires additional machinery and/or equipment to meet the project requirements, our project team will also be responsible to provide such additional machinery.

### **Post-execution**

After we have completed all the site works and the professional representatives of our customers have certified the works duly completed (if so required under the contract), the defect liability period, which normally lasts for six to 12 months, will commence. During such period, we are liable to make good the defects of the works identified caused by either defective materials, goods or substandard workmanships. If our customers have withheld retention money under the contract, the customers will release part of the retention money to us upon completion of the works under the contract. Meanwhile, we will negotiate with our customers to achieve an agreement on final account with customers.

When the defect liability period expires, the professional representatives of the customers will carry out a joint on-site inspection. After they have certified that there are no uncompleted items of works for the contract, the remaining retention money will be released to us.

### **Variation orders**

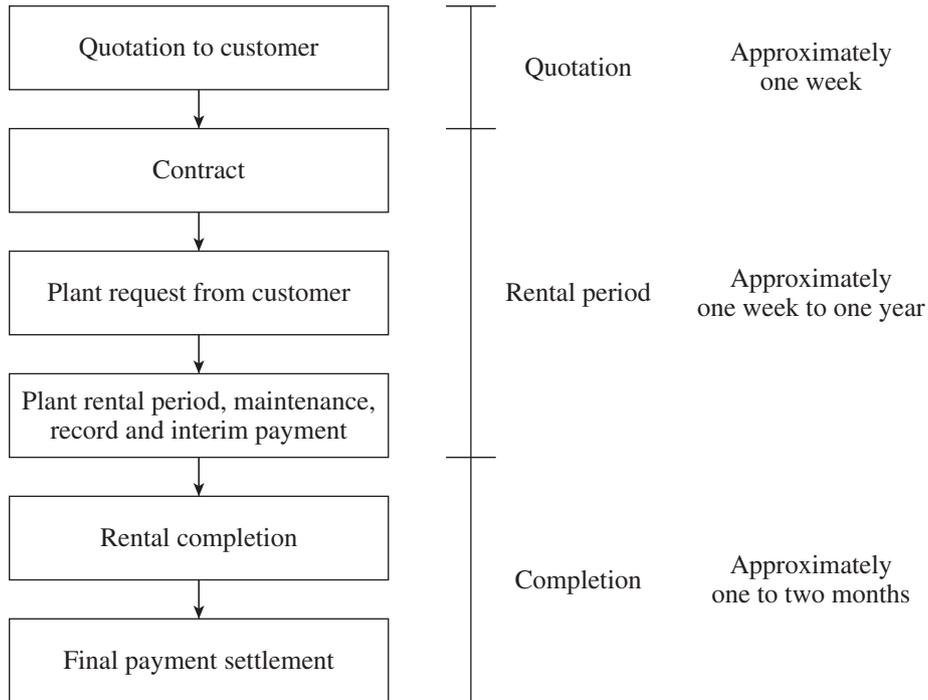
Our customer may, in the course of project execution, place additional orders concerning variation to part of the works that are necessary for completion of the project. Such orders are commonly referred to as variation orders. Variation orders may include (i) additions, omissions, substitutions, alterations, changes in quality, form, character, kind, position or dimension; (ii) changes to any sequence, method or timing of construction specified in the original contract; and (iii) changes to the site or entrance to and exit from the site. We will discuss with our customer to mutually agree on the sum of variation orders which may be added to or deducted from the contract sum mainly with respect to rate of works as set out in the original contract. We are usually notified of a variation order by way of a letter, email or verbal request from our customer setting out the detailed works to be carried out as a result of such variation order. We will then assess the price of such works and obtain quotation from our

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subcontractors and prepare and submit the rate for such variation order to our customer for approval. The principal terms and settlement of variation orders are generally in line with the terms of the original contract.

### Construction machinery rental services

The following chart sets out the major activities of our rental operation:



### Customer enquiry and price quotation

During the Track Record Period, we generally secured construction machinery rental orders via enquiries from our customers, which were processed by our rental team of plant department based on the availability of our own fleet of machinery. Customers normally approach our executive Directors or project teams by phone or email for quotation of the rental price of our construction machinery, or the supply of machine operators. Our staff may also provide advices to our customers on the type of construction machinery that may suit their requirements.

If we do not have a sufficient number of machinery or do not possess a specific type of construction machinery to fulfil our customers' requirements, we usually turn down the quotation. During the Track Record Period, we were able to rent out some of our machinery, mainly excavators, to contractors/subcontractors.

We generally set our rental fees, calculated on daily or monthly basis, based on various factors such as the then prevailing market rate, the acquisition cost of the construction machinery, the capacity and model of the construction machinery, the duration of the rental period, the number of machine operators required, working conditions of the site and credibility of our customer. After determining the rental fees, we will issue formal quotation specifying the details of the price for the construction machinery and duration of rental period for our customer's consideration.

**Acceptance**

If our customer accepts our quotations, they may either orally agree and confirm the quotation or issue to us a purchase order specifying the details of the rental services required and the rental fees as quoted by our executive Directors or project teams to formally request for our construction machinery rental service.

**Delivery to customer's construction site**

Our Group will arrange for the delivery of the rented construction machinery by our own team or engage third party service providers to deliver the rented construction machinery to our customers' construction sites.

We provide relevant certification to our customers for all of our construction machinery. Our rented construction machinery would be inspected by a third party consultant before delivery and the relevant inspection records would be provided to our customer upon delivery.

Upon arrival at our customer's construction sites, the rented construction machinery may be inspected and certified by a competent person of the customer. After completion of the inspection, the competent person would complete an inspection report and place a relevant certification label on the construction machinery.

**Completion of the rental period**

At the end of the rental period, the construction machinery will be inspected and returned to our designated location. If the construction machinery is found to be damaged during our inspection, we would charge the customer the cost of replacement unless the damage is caused by the negligence of our machine operators or drivers. Items required to be replaced would be specified in the invoices which we issue to our customers for subsequent payments.

**OUR SUPPLIERS**

During the Track Record Period, suppliers of goods and services to our Group mainly include: (i) our subcontractors; (ii) suppliers of construction materials such as concrete mix and steel reinforcement; (iii) machinery and equipment rental service providers; and (iv) suppliers of other parts and consumables and other miscellaneous items including personal protective equipment used by our on-site workers such as reflective vests and safety helmets.

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The following table sets forth the breakdown of the cost of sales during the Track Record Period:

	<b>For the year ended 31 March</b>					
	<b>2015</b>		<b>2016</b>		<b>2017</b>	
	<i>(approximately HK\$ million)</i>	<i>(%)</i>	<i>(approximately HK\$ million)</i>	<i>(%)</i>	<i>(approximately HK\$ million)</i>	<i>(%)</i>
Material costs	92.3	43.1	140.1	44.7	138.9	41.5
Subcontracting costs	36.7	17.1	63.1	20.1	94.8	28.4
Direct labour	42.4	19.8	57.9	18.5	59.2	17.7
Transportation costs	22.4	10.5	28.3	9.0	18.0	5.4
Depreciation expenses	2.8	1.3	4.3	1.4	5.9	1.8
Other expenses ( <i>Note</i> )	<u>17.5</u>	<u>8.2</u>	<u>19.6</u>	<u>6.3</u>	<u>17.5</u>	<u>5.2</u>
<b>Total</b>	<u><u>214.1</u></u>	<u><u>100.0</u></u>	<u><u>313.3</u></u>	<u><u>100.0</u></u>	<u><u>334.3</u></u>	<u><u>100.0</u></u>

*Note:* Other expenses mainly include machinery rental expenses, the cost of diesel fuels and tools, repair and maintenance expenses.

We generally order the construction materials or request for subcontracting services on a project-by-project basis and we do not enter into any long-term contract with our suppliers. The price is determined by reference to a pre-agreed quotation subject to fluctuations and delivery schedule as agreed by the parties on an order-by-order basis. We are usually provided with materials (such as concrete mix) by our customers pursuant to the contra-charge arrangement, details of which are set out in the paragraphs headed “Our Suppliers — Contra-charge arrangement with our customer which is also our supplier” below. Apart from that, we are able to choose our own suppliers for our projects.

### **Selection of suppliers**

Our Group maintains an approved list of suppliers from time to time. As at the Latest Practicable Date, there were approximately 122 suppliers included in our approved list of suppliers. We select our suppliers from our approved supplier list based on factors including the (i) quality of their products/services; (ii) delivery schedule; (iii) previous working experience with the supplier; and (iv) reputation of the supplier.

The construction materials required for our projects will generally be provided to us through one of the following ways:

- (i) our customers provide us with the construction materials, and our fees and charges will not include the costs of such construction materials;
- (ii) contra-charge arrangement (i.e. our customers will pay for the cost of construction materials and such cost will be deducted from their payments to us in settling our service fees for the project). For details, please refer to the paragraph headed “Our suppliers — Contra-charge arrangement with our customer which is also our supplier” in this section; or
- (iii) the construction materials will be purchased by us from suppliers in our approved list.

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Our Directors confirmed that our Group had stable relationship with our suppliers included in the approved list of suppliers and our Group did not have any material dispute with any of our suppliers during the Track Record Period and up to the Latest Practicable Date.

### **Salient purchase terms**

Our Group generally makes purchase orders on a project-by-project basis instead of entering into long-term supply contracts with our suppliers. Our Directors consider that such arrangement is in line with the industry practice in Hong Kong.

The terms of the supply contract entered into between our customers and us generally include the type of construction materials or services required, the price, the quantity of duration of service and the payment terms. Our suppliers normally grant us a credit period of not more than 45 days from the invoice date. During the Track Record Period, none of the suppliers were removed from our approved list of suppliers due to the poor quality of construction materials or works performed for us.

For our trade payables management, we will adhere to the following to ensure timely payment to our suppliers: (i) preparation and approval of the payment requisition form for payment once the invoice is received; (ii) monthly review of trade payable aging analysis; and (iii) for any outstanding payables, investigation and settlement should be performed unless being informed by suppliers or there are special circumstances.

During the Track Record Period, we did not experience any shortage of construction materials or delay in the supply of the construction materials or services that we required. Our Directors consider that the possibility of shortage or delay in the supply of such construction materials or services is relatively low given there are abundance of suppliers providing similar construction materials/services in the market. In addition, we did not experience any material fluctuation of prices of construction materials or services that we required during the Track Record Period. Our Directors believe that we are able to pass on the increase in the cost of sales to our customers as we generally take into account our overall costs in the schedule of rates when preparing our tender or quotation.

### **Our five largest suppliers during the Track Record Period**

For each of the three years ended 31 March 2017, our total purchases attributable to our five largest suppliers amounted to approximately HK\$93.3 million, HK\$173.3 million and HK\$179.6 million, representing approximately 55.4%, 65.8% and 67.8% of our total purchases of our Group, respectively. During the same period, our purchases attributable to our largest supplier amounted to approximately HK\$59.2 million, HK\$124.6 million and HK\$126.6 million, representing approximately 35.2%, 47.3%, and 47.8% of our total purchases of our Group, respectively.

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

### For the year ended 31 March 2015

Supplier	Background	Types of goods/ services provided by our supplier	Material costs/ subcontracting costs incurred <i>(approximately HK\$ million)</i>	Approximate % of total purchases of the Group	Approximate year(s) of business relationship up to the Latest Practicable Date	Credit period and payment method
Kin Wing Group <i>(Note)</i>	A contractor of foundation work in Hong Kong	General construction material	59.2	35.2	5	N/A <i>(Note)</i>
On Keung Transp. Eng.	A supplier of construction material in Hong Kong	Transportation & backfill material	14.5	8.6	5	45 days, by cheque
Tat Chi Engineering Company Limited	A subcontractor of builder's work in Hong Kong	Steel reinforcement fixing	8.5	5.0	7	45 days, by cheque
Ever Team Construction	A subcontractor of foundation work in Hong Kong	Shoring works	6.4	3.8	3	45 days, by cheque
Supplier A	A supplier of steel products in Hong Kong	Steel work material	4.7	2.8	4	30 days, by cheque

*Note:* Due to the contra-charge arrangement, Kin Wing Group is considered as one of our suppliers. Expenses paid by Kin Wing Group on behalf of us are treated as a deduction to amounts receivable from Kin Wing Group under payment certificates. For details of the contra-charge arrangement, please refer to the paragraph headed "Our suppliers — Contra-charge arrangement with our customer which is also our supplier" in this section.

### For the year ended 31 March 2016

Supplier	Background	Types of goods/ services provided by our supplier	Material costs/ subcontracting costs incurred <i>(approximately HK\$ million)</i>	Approximate % of total purchases of the Group	Approximate year(s) of business relationship up to the Latest Practicable Date	Credit period and payment method
Kin Wing Group <i>(Note)</i>	A contractor of foundation work in Hong Kong	General construction material	124.6	47.3	5	N/A <i>(Note)</i>
Tat Chi Engineering Company Limited	A subcontractor of builder's work in Hong Kong	Steel reinforcement fixing	15.3	5.8	7	45 days, by cheque
On Keung Transp. Eng.	A supplier of construction material in Hong Kong	Transportation & backfill material	11.9	4.5	5	45 days, by cheque
Yun Kwan Construction Engineering Limited	A subcontractor of foundation work in Hong Kong	Shoring works	11.2	4.3	3	45 days, by cheque
Au Wah (Tong Kee) Formwork Company Limited	A subcontractor of builder's work in Hong Kong	Timber formwork	10.3	3.9	7	45 days, by cheque

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*Note:* Due to the contra-charge arrangement, Kin Wing Group is considered as one of our suppliers. Expenses paid by Kin Wing Group on behalf of us are treated as a deduction to amounts receivable from Kin Wing Group under payment certificates. For details of the contra-charge arrangement, please refer to the paragraph headed “Our suppliers — Contra-charge arrangement with our customer which is also our supplier” in this section.

### For the year ended 31 March 2017

Supplier	Background	Types of goods/ services provided by our supplier	Material costs/ subcontracting costs incurred <i>(approximately HK\$ million)</i>	Approximate % of total purchases of the Group	Approximate year(s) of business relationship up to the Latest Practicable Date	Credit period and payment method
Kin Wing Group <i>(Note)</i>	A contractor of foundation work in Hong Kong	General construction material <i>(Note)</i>	126.6	47.8	5	N/A <i>(Note)</i>
Tat Chi Engineering Company Limited	A subcontractor of builder's work in Hong Kong	Steel reinforcement fixing	27.7	10.5	7	45 days, by cheque
Au Wah (Tong Kee) Formwork Company Limited	A subcontractor of builder's work in Hong Kong	Timber formwork	9.2	3.5	7	45 days, by cheque
Supplier B	A service provider for transportation and a supplier of backfill material in Hong Kong	Transportation and backfill material	8.1	3.0	1	45 days, by cheque
Yun Kwan Construction Engineering Limited	A subcontractor of foundation work in Hong Kong	Shoring works	7.9	3.0	3	45 days, by cheque

*Note:* Due to the contra-charge arrangement, Kin Wing Group is considered as one of our suppliers. Expenses paid by Kin Wing Group on behalf of us are treated as a deduction to amounts receivable from Kin Wing Group under payment certificates. For details of the contra-charge arrangement, please refer to the paragraph headed “Our suppliers — Contra-charge arrangement with our customer which is also our supplier” in this section. Kin Wing Group is also our subcontractor for the hoarding works in one project with a credit period of 30 days and payment by cheque for the year ended 31 March 2017.

### Relationship with our five largest suppliers during the Track Record Period

During the Track Record Period, Ever Team Construction provided subcontracting services to Lik Shing Engineering. Ever Team Construction was owned as to one share by Mr. Li Wai Fong, our executive Directors and one share by an Independent Third Party for the period from 22 May 2014 to 31 July 2015. On 1 August 2015, two new shares were allotted and issued to Mr. Li and Mr. Li KY and Mr. Li Wai Fong transferred all his interest in Ever Team Construction to Mr. Li and the Independent Third Party transferred all his interest in Ever Team Construction to Mr. Li KY on 11 January 2016. Mr. Li and Mr. Li KY owned 50% of the issued share capital of Ever Team Construction for the period from 1 August 2015 to 11 January 2016 and 100% thereafter to 8 August 2016. On 9 August 2016, Mr. Li and Mr. Li KY sold all their respective 50% interests in Ever Team Construction to two Independent Third Parties. During the Track Record Period, the cost of sales paid by our Group to Ever Team Construction was approximately HK\$6.4 million, HK\$2.6 million and HK\$0.3 million respectively.

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Save for Ever Team Construction, none of our Directors, their respective close associates or any Shareholders (who or which, to the best knowledge of our Directors, own more than 5% of the issued share capital of our Company as at the Latest Practicable Date) had any interest in any of our five largest suppliers (excluding our subcontractors) during the Track Record Period. Save for Ever Team Construction, all of these five largest suppliers are Independent Third Parties.

### **Contra-charge arrangement with our customer which is also our supplier**

It is common in the construction industry that a main contractor may pay on behalf of its subcontractor for certain expenses incurred in a construction project. Such expenses are typically treated as a deduction to amounts receivable from customers under the payment certificates for the project. Such payment arrangement is referred to as the “contra-charge arrangement” and the amounts involved are referred to as the “contra-charge”.

During the Track Record Period, we had contra-charge arrangements with some of our main contractors which our Directors confirm that they were conducted on normal commercial terms. Such contra-charge consisted of purchase cost of construction materials and other miscellaneous expenses. Pursuant to the contra-charge arrangement set out in the contract with our customers, upon receipt of our written request, our customers may purchase materials such as concrete mix and shoring materials and make payments on our behalf. Such purchase cost is settled by way of contra-charge to the account with such customer. Effectively, the payments due to us from our customers will be settled after netting off such contra-charge amounts. For each of the three years ended 31 March 2017, our contra-charge incurred amounted to HK\$64.4 million, HK\$128.0 million and HK\$135.2 million, respectively, which also represented the contra-charge incurred amounts attributable to our top five customers during the Track Record Period. As we settled such costs by way of contra-charge by netting off with the payments due from our customers, both cash inflows from the project works done and cash outflows from the purchases were reduced by the same amount. Therefore, the contra-charge arrangement had no material effect on our Group’s cashflow positions during the Track Record Period.

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

	<b>For the year ended 31 March</b>					
	<b>2015</b>		<b>2016</b>		<b>2017</b>	
	<i>(HK\$'000)</i>	<i>(%)</i>	<i>(HK\$'000)</i>	<i>(%)</i>	<i>(HK\$'000)</i>	<i>(%)</i>
	<i>(approximate)</i>		<i>(approximate)</i>		<i>(approximate)</i>	
<b>Kin Wing Group</b>						
Revenue derived and approximate % of total revenue	146,587	61.4	258,390	74.0	251,974	66.2
Contra-charge charged by Kin Wing Group and approximate % of total purchases incurred	59,214	35.2	124,563	47.3	123,492	46.6
<b>China State Group</b>						
Revenue derived and approximate % of total revenue	45,396	19.0	34,627	9.9	27,328	7.2
Contra-charge charged by China State Group and approximate % of total purchases incurred	3,468	2.1	2,989	1.1	2,031	0.8
<b>Customer B</b>						
Revenue derived and approximate % of total revenue	—	—	—	—	43,578	11.4
Contra-charge charged by Customer B total purchases incurred	—	—	—	—	7,466	2.8
<b>Customer C</b>						
Revenue derived and approximate % of total revenue	—	—	—	—	32,039	8.4
Contra-charge charged by Customer C total purchases incurred	—	—	—	—	1,309	0.5

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The following table sets forth our gross profit and gross profit margin for the projects from Kin Wing Group and China State Group with contra-charge arrangement and that of other projects without contra-charge arrangement during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit	Gross profit
	margin	margin	margin	margin	margin	margin
	(HK\$'000)	(%)	(HK\$'000)	(%)	(HK\$'000)	(%)
	(approximate)		(approximate)		(approximate)	
<b>Projects from Kin Wing Group</b>						
— with contra-charge arrangement	11,615	8.2	19,662	7.7	27,472	11.1
— without contra-charge arrangement	893	34.7	1,267	37.8	306	6.9
	12,508	8.6	20,929	8.1	27,778	11.1
<b>Projects from China State Group</b>						
— with contra-charge arrangement	5,462	14.8	5,057	19.7	6,834	39.0
— without contra-charge arrangement	—	—	92	10.0	235	16.5
	5,462	14.8	5,149	19.3	7,069	37.3

During the Track Record Period, the gross profit margin for the projects with Kin Wing Group were approximately 8.6%, 8.1% and 11.1% respectively and the gross profit margin for the projects with China State Group were approximately 14.8%, 19.3% and 37.3% respectively.

The projects with China State Group has an overall gross profit of 14.8% and 19.3% for the year ended 31 March 2015 and 31 March 2016 respectively, and was mainly attributable to the relative high project gross profit margin of the Yuen Long and Mui Wo Home Ownership Scheme (20130927) project of approximately 22.3%, which contributed gross profit of approximately HK\$0.8 million and HK\$3.5 million for the year ended 31 March 2015 and 31 March 2016 respectively. As the scope of this project involved a substantial part of machinery rental services, the Group could factor a higher gross profit margin by utilising fully depreciated but function-able machinery.

The projects with China State Group has an overall gross profit of 37.3% for the year ended 31 March 2017 and was mainly attributable to the exceptional high gross profit margin of site formation and associated infrastructure works project at Anderson Road of approximately 809.5% and contributed gross profit of approximately HK\$2.0 million for the year ended 31 March 2017. The gross profit margin of this project for the year ended 31 March 2017 amounted to approximately 809.5% because it had a subsequent adjustment to the original contract sum in early June 2017, whereby the contract sum has decreased from an original sum of approximately HK\$5.6 million to a revised sum of approximately HK\$3.4 million, representing an adjustment of approximately HK\$2.2 million. Such adjustment had resulted in cost saving of the project as the adjustment had reduced the scope of certain unprofitable

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works which were initially expected to incur a substantial machinery rental cost. As a result of the foregoing, the total actual cost incurred was smaller than total estimated contract cost (which is based on original contract sum prior to the adjustment and the budgeted cost of the relevant machinery rental) of this project and accordingly a subsequent revision to the total contract costs was required for the year ended 31 March 2017. Such reversal of overprovided estimated costs has resulted in a negative contract cost and a project gross profit of over 100% for the same year.

Since we generally price our foundation and site formation works based on various factors, among others, the scope of works and complexity of the projects, our profitability fluctuates depending on the nature of projects engaged by us. In this regards, our Directors believe that the contra-charge arrangement is not a critical factor on affecting our profitability during the Track Record Period.

### **Inventory control**

If we are involved in the procurement of construction materials for a particular project, the purchases will be made as required and the construction materials will be delivered to the work sites directly for use. Owing to the limited storage space at our construction sites, our project team plans the delivery schedule ahead and our staff checks the quantity level stored at the construction sites before placing orders with our suppliers to ensure there is no duplication of order or over purchase. As a result, we generally do not keep excess inventory of construction materials. Our Directors consider that the amounts of construction materials stored at our construction sites as at 31 March 2015, 2016 and 2017 were insignificant to our Group. Accordingly, the costs of construction materials were counted as an expense and included in the cost of sale in the combined statements of profit or loss and other comprehensive income of our Group for the three years ended 31 March 2017.

### **SUBCONTRACTING**

Depending on our then available capability and resources level, we may subcontract certain specific parts of a project such as bar bending and timber formwork to our subcontractors to reduce our direct staff costs. With the support of the Ipsos Report, our Directors confirmed that multilayer subcontracting is a common practice in the construction industry in Hong Kong.

We generally select our subcontractors from our approved subcontractor list and invite the approved subcontractors for quotation. As at the Latest Practicable Date, we had more than 50 approved subcontractors on our internal list of approved subcontractors. Further, our subcontractors generally require us to arrange with the main contractors to ensure the employees' compensation insurance and contractor's all risks insurance will cover their employees.

Pursuant to the contracts with our customers, we generally have to bear the responsibilities in respect of the defective works and/or delays in works of our subcontractors. As such, our Directors consider that a stringent selection for our subcontractors is of paramount importance. We maintain an approved list of subcontractors, which will be subject to our regular review based on a number of factors, including: (i) company background, job reference and their adherence to instructions, if any; (ii) timely delivery of work; (iii) quality of work performed; (iv) safety and environmental compliance; and (v) overall performance.

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For each of the three years ended 31 March 2017, the total subcontracting charges amounted to approximately HK\$36.7 million, HK\$63.1 million and HK\$94.8 million, representing approximately 17.1%, 20.1% and 28.4% of our total cost of sales, respectively. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties or delays in performing our subcontracts due to material difficulties in identifying or engaging the required subcontractors.

### **Relationships with customer that was also our subcontractor during the Track Record Period**

Kin Wing Group was our largest customer for each of the three years ended 31 March 2017 and is an Independent Third Party. During the Track Record Period, the foundation and site formation works undertaken by us for Kin Wing Group mainly involved ELS, pile caps and site formation works. For further details of our relationship with Kin Wing Group, please refer to the paragraph headed “Customers — Relationship with Kin Wing Group” in this section. For the year ended 31 March 2017, we engaged Kin Wing Group to provide services for miscellaneous hoarding, covered walkway and ancillary works for a commercial development project. No subcontracting charges were charged to Kin Wing Group for the two years ended 31 March 2016. For the year ended 31 March 2017, the subcontracting charges charged to Kin Wing Group amounted to approximately HK\$3.1 million, representing approximately 1.2% of our total purchases from the suppliers. Whilst we engaged other subcontractors in the same projects, the terms of engagement we entered into with other subcontractors were similar to those we entered into with Kin Wing Group.

### **Major terms of engagement with our subcontractors**

We engage our subcontractors on a project basis and do not enter into long-term agreements with subcontractors. The following summarises the major terms of engagement with our subcontractors:

Contract Period	The duration of the subcontracting agreement is generally in line with the duration of the main contract between us and our customer.
Rights and obligations of the subcontractor	A subcontractor is required to comply with the relevant terms and perform its works in accordance with the specifications under the main contracts on a back-to-back basis.
Scope of work	The scope of services and types of works to be carried out by the subcontractor will be specified in the subcontracting agreement.
Subcontracting fee and payment terms	The subcontracting fee to be received by the subcontractor is usually represented as a provisional sum, which is subject to re-measurement and valuation according to the schedule of rates included in the subcontract and further subject to any variation orders or additional works to be performed by the subcontractors with our prior consent. In general, we determine the amount of subcontracting charges based on (i) certain percentage of the amount of fees to be received by us from our customers in respect of the portion of works being subcontracted; (ii) the amount of labour resources required from our sub-contractors; (iii) the nature of works to be performed by our subcontractors; and (iv) the prevailing market conditions.

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Site utilities	Water, electricity and lighting is provided by our Group for site operations.
Termination	If the subcontractor leaves the subcontracted work uncompleted, fails to complete the work on the date for completion or, if in our opinion, the work is unsatisfactory or likely to be so and causes unduly delay to the overall progress of the main contract, our Group may terminate the subcontracting agreement by giving advance notice of intention to do so.
Safety	The subcontractor shall comply with the provision of statutory safety regulations relating to the carrying out of the subcontracting works at all times. The subcontractor shall also indemnify our Group against any expenses, penalties and other losses sustained occasioned as a consequence of the subcontractors' non-compliance with the safety ordinance and regulations.
Indemnity	Subcontractors are required to indemnify our Group against any loss, expense or claim arising from the failure to comply with subcontracting agreement by the subcontractors and/or their employees. We are entitled to hold our subcontractors liable for loss and damage suffered by our Group if their works are not performed in accordance with the requirements set out in the main contract.
Retention money	For the year ended 31 March 2017, retention money was retained by us in order to secure due performance of our subcontractors for projects of large contract sum. We retained the retention money for one to three months and the amount of retention money usually represented 10% of the value of works certified in each payment. As at 31 March 2017, the amount of retention payables was approximately HK\$1.9 million.
Credit policy	We require our subcontractors to submit a payment application for a monthly payment or interim payment on a regular basis, depending on the payment terms agreed between our Group and our customers. The payment application generally includes the estimated value of all works properly done and the materials consumed, if applicable, by the subcontractors during the period covered by the payment application. Each payment application will be reviewed and verified by our project managers to check if the work has been properly done by the subcontractors. We will then prepare the payment accordingly.

### **Control over subcontractors**

We may be liable to our customers for the works of our subcontractors and we may also be liable to any potential employee compensation claims and personal injuries claims made by our subcontractors' employees arising from work injuries that may happen from time to time. Therefore, we have a project management team, which oversees each project, to monitor and supervise the working process of the subcontractors and ensures that they have met our safety and quality requirements in carrying out the subcontracted works. We also carry out regular assessment of our subcontractors during the course of a project to ensure they can meet our quality and safety requirements in carrying out the subcontracted. In order to closely monitor the performance of our subcontractors and to ensure that the subcontractors comply with the contractual requirements and the relevant laws and regulations, we require our subcontractors to follow our internal control measures in relation to quality control, safety and environmental compliance. Our designated project management personnel residing at the project site conduct regular site inspection to ensure general compliance by our subcontractors in quality, safety and environmental requirements. During project implementation, our project team regularly meets with our subcontractors and closely monitors their work progress and performance as well as their level of compliance with our safety measures and quality standards. For further information regarding our measures in relation to quality control, safety and environmental compliance, please refer to the paragraphs headed "Quality control", "Occupational health and safety" and "Environmental compliance" in this section.

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

### **Designated workers for designated skills provision**

On 1 April 2017, the "designated workers for designated skills" provision under the Construction Workers Registration Ordinance came into effect, whereby construction workers will generally be forbidden from undertaking the construction works of the designated trade divisions unless they are registered skilled or semi-skilled workers for the relevant trade division or under the instruction and supervision of the relevant skilled or semi-skilled workers. Please refer to the section headed "Laws and Regulations — Laws and regulations in relation to labour, health and safety" in this prospectus for further details. As at the Latest Practicable Date, all of our site staff carrying out construction works on construction sites were registered as registered construction workers under the Construction Workers Registration Ordinance. Our Group will ensure that our subcontractors and their employees will be registered under the required trade divisions for the construction projects undertaken by us or work under the supervision of skilled or semi-skilled worker.

### **OUR MACHINERY**

As disclosed in the paragraphs headed "Competitive strengths" in this section, one of our competitive strength is that we have a broad range of machinery for our Group to carry out the construction works. We have acquired machinery manufactured mainly in Japan or Korea through their authorised dealers in Hong Kong. Our Directors believe that possessing a large range of machinery would enable our Group to enjoy greater flexibility in allocating resources and place less reliance on renting machinery from others. It also places us in a strong position to proactively exploit market opportunities and compete cost-effectively for foundation and site formation projects of different scales

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and conditions. For each of the three years ended 31 March 2017, we acquired new machinery in the amount of approximately HK\$8.8 million, HK\$4.4 million and HK\$10.9 million, respectively. As at 31 March 2017, our machinery had an aggregated carrying value of approximately HK\$20.3 million.

Unutilised machinery are usually stored in our warehouses. Occasionally, our machinery are leased to our customers. During the Track Record Period, the aggregate revenue generated from leasing machinery to other parties was approximately HK\$23.7 million, HK\$16.8 million and HK\$20.2 million, respectively. Our Directors confirm that we are not actively pursuing and do not intend to pursue actively in expanding the machinery leasing business, as such activities are conducted only for maintaining good business relationship with fellow contractors in the construction industry and expanding our income stream. Our Directors evaluate enquiries and where appropriate, enter into leasing transactions of our machinery and equipment with due care to ensure any leasing arrangements would not impair our Group's ability to compete for future foundation and site formation projects.

As at 31 March 2017, our Group had 140 units of machinery in use, as follows:

Machinery	Quantity		Not subject to NRMM	Carrying amount as at
	Approved	Exempted		31 March 2017
				<i>HK\$'000</i> <i>(approximate)</i>
Excavator	26	69	3	17,494.0
Loader	—	2	—	—
Drill rig	—	1	—	448.0
Generator	—	—	2	220.7
Air compressor	—	4	—	302.5
Hydraulic elevated platform	—	—	2	130.7
Hydraulic rock splitter	—	—	2	240.3
Other machinery ( <i>Note</i> )	—	1	28	<u>1,495.8</u>
<b>Total:</b>				<u><u>20,332.0</u></u> <i>(Note 2)</i>

*Note:*

- Other machinery include 2 vibrating rollers, 4 vibrating hammers and 18 breakers.
- As at 31 March 2017, the carrying amounts of our NRMM approved machinery and NRMM exempted machinery were approximately HK\$9.6 million and HK\$8.6 million, respectively.

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Some of the principal machinery of our Group (acquired within the preceding five calendar years with initial cost of acquisition of over HK\$0.5 million) are set out below:

Name of machinery	Quantity	Principal functions	Year of acquisition	Cost of acquisition <i>(approximately HK\$ million)</i>	Carrying value as at 31 March 2017 <i>(approximately HK\$ million)</i>	Average remaining useful life as at 31 March 2017 <i>(approximate years)</i>
NRMM approved excavators	15	Used for excavation works	2013 to 2016	11.2	7.1	3.2
NRMM exempted excavators	6	Used for excavation works	2011 to 2016	6.4	4.0	2.0
NRMM exempted drill rig	1	a machine that creates holes in the earth sub-surface. Drilling rigs can sample sub-surface mineral deposits, test rock, soil and groundwater physical properties, and also can be used to install sub-surface fabrications, such as underground utilities. It is used with hydraulic drilling equipment in mini-piling	2016	0.6	0.4	4.0

### Compliance of the NRMM Regulations

As at the Latest Practicable Date, our Group has approximately 76 exempted machines with proper label issued by the Environmental Protection Department under the NRMM Regulation. Please refer to the paragraph headed “Laws and regulations — Laws and regulations in relation to environmental protection — Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation (Chapter 311Z of the Laws of Hong Kong)” in this prospectus for further details.

Out of these 76 exempted machines with proper label issued by the Environmental Protection Department under the NRMM Regulation, 68 units were excavators which were mostly required in our projects. As at 31 March 2017, 69 units of our excavator, representing 70.4% of the total number of excavators in use, were classified as NRMM exempted and were subject to the phase out plan in the Technical Circular. With respect to phase 3 of the phase out plan, NRMM exempted machinery will be fully phased out in new capital works contracts of public works (including design and build contracts) with an estimated contract value exceeding HK\$200 million from 1 June 2019. Out of the 15 projects on hand (including projects in progress and projects where were awarded to us but yet to commence) as at the Latest Practicable Date with a total original contract sum of approximately HK\$411.6 million, 7 projects on hand with a total original contract sum of approximately HK\$358.7 million were subject to the Technical Circular. The latest expected completion date amongst these projects was 31 December 2018. As such, our Directors consider that the phase 3 of the phase out plan will not make any impact on our Group with regards to these projects.

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Further, our Directors believe that effect of the Technical Circulars on our Group's business would not be substantial in view of our plan with regard to the NRMM exempted machinery set out below:

- (i) As the phase out plan applies to new capital works contracts of public works, our fleet of NRMM exempted machinery can still be deployed to projects from the private sector. During the Track Record Period, the revenue from foundation and site formation work of our Group were mainly derived from the private sector, representing approximately 79.1%, 59.6% and 62.9% of the revenue from foundation and site formation works for the each of three years ended 31 March 2017. Therefore, our Directors believe that we will be able to deploy NRMM exempted machinery to projects from private sector after 1 June 2019 and the effect of the Technical Circulars on our Group's business can be diminished; and
- (ii) From 8 February 2015 (i.e. the date of the Technical Circular) to the Latest Practicable Date, 16 units of NRMM exempted machinery, with an aggregate carrying value of approximately HK\$1.3 million as at the respective disposal dates, had been sold to third party buyers and an aggregate sum of approximately HK\$3.2 million had been received from these buyers as consideration for such sales. As there had been a gain on disposal of approximately HK\$2.0 million recognised as a result of the sales of NRMM exempted machinery since the date of the Technical Circular up to the Latest Practicable Date, our Directors believe that our NRMM exempted machinery are still marketable, and we are prepared to replace our fleet of NRMM exempted machinery by selling should opportunity arises.

Nevertheless, to expand our business and implement our business strategies to compete for more foundation and/or site formation works projects in the public sector, our Group still has the need to upgrade our fleet of machinery in order to enhance its competitiveness and strengthen our execution efficiency by replacing aged machinery with upgrade model in the long run.

Our Group disposed of machinery and equipment of an average age of approximately 3.6 years with an aggregate costs of approximately HK\$5.1 million and an aggregate carrying value of approximately HK\$1.5 million as at the respective disposal dates in the year ended 31 March 2017. The sale of machinery and equipment involved 14 NRMM exempted excavators (the “**Disposal Excavators**”) with an aggregate sale proceeds of approximately HK\$3.1 million from five different purchasers.

*The reasons why we disposed of the machinery and equipment when it was still useable in private projects and certain public projects*

Our Group sold these NRMM exempted excavators as

- (i) they were subject to the phase out plan in the Technical Circular and our Group cannot apply them in new capital works contracts of public works (including design and build contracts) with an estimated contract value exceeding HK\$200 million after 1 June 2019. In addition, for each of the three years ended 31 March 2017, the number of projects originated from the public sector undertaken by our Group was 10, 14, 21, respectively. In view of such increasing trend, our Group acquired four and nine additional NRMM approved excavators in 2016 and 2017 and as a result, our Group's total NRMM approved excavators represented

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16.5% and 26.5% of our total number of excavators, respectively, during the corresponding year. Thus, we are prepared and equipped to take up more projects originated in the public sector;

- (ii) there had been a gain on disposals of approximately HK\$1.8 million recognised as a result of the sales of these NRMM exempted excavators;
- (iii) it is our Group's business strategy to compete for more foundation and/or site formation projects from the public sector and to enhance the operating efficiency of our fleet of machinery to cope with the future business expansion, our Group had replaced NRMM exempted and aged machinery with upgrade model from time to time. During the Track Record Period, the Group disposed of 30 excavators in total. The following table sets out the breakdown of these 30 excavators:

	<b>For the year ended 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
NRMM exempted excavator	—	1	14
Not subject to NRMM	10 ( <i>Note</i> )	5 ( <i>Note</i> )	—

*Note:* As the NRMM regulation only came into effect on 1 June 2015, the excavators disposed of by the Group before 1 June 2015 were classified as "not subject to NRMM" for illustration purpose.

and

- (iv) our Group do not have a pre-determined or regular replacement cycle for our machinery. We have adopted a pragmatic approach in deciding on the replacement of machinery on a case-by case basis having regard to the requirements of the projects on hand, the operating condition of each unit of machinery and cost effectiveness of replacing such machinery. Our Directors confirm that the disposed excavators disposed of by the Group were mainly for standard excavation works. However, as some of our Group's projects which were completed by us and required specific type of machinery and equipment (such as the project located at No. 15 Middle Road and the redevelopment of Shek Kip Mei Estate phases 3&7), both of which involved substantial high grade rock excavation and require the deployment of drill rig, hydraulic rock splitter. In particular, the project located at No. 15 Middle Road also required specific type of excavators for deep excavation and for excavation in confined environment), these disposed excavators could not fulfil the requirements of these projects. In addition, our Directors foresee that there will be an increase in number of projects which involve rock excavation works and require excavators for deep rock excavation or for excavation in confined environment.

We have the following projects on hand which involved rock excavation works and require excavators for deep rock excavation or for excavation in confined environment:

- Development of Anderson Road Quarry Site — Site Formation and Infrastructure Works (NE/2016/01);
- 180–184 Shau Kei Wan Road; and
- 4 Fuk Tong Road, Kwun Tong.

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We had also submitted tenders for five projects and would submit tenders for more projects which involved rock excavation works and require excavators for deep rock excavation or for excavation in confined environment. Hence, in view of the unsuitability of the Disposed Excavators and the fact that they would not be used in the public works contracts with value exceeding HK\$200 million after 1 June 2019 and they are subject to the phase out plan set out in the Technical Circular, our Directors take the view that it was a good time to dispose of these Disposed Excavators when they are still marketable.

As such, even though these machinery and equipment had an average age of only approximately 3.6 years, our Directors believe that it is in the interest of our Company to replace our fleet of NRMM exempted excavators by selling when the machinery and equipment are marketable or when opportunity arises. Also, our Directors consider that the disposal of 14 NRMM exempted excavators for the year ended 31 March 2017 would not have any material impact to our Group's operation, as we had acquired 12 additional excavators with an aggregate acquisition cost of approximately HK\$9.0 million for our foundation and/or site formation projects for the same period. Such 12 additional excavators comprise nine NRMM approved excavators with an aggregate acquisition cost of HK\$6.2 million and three NRMM exempted excavators with an aggregate acquisition cost of HK\$2.8 million. Our Group acquired the three NRMM exempted excavators for the following reasons:

- (i) the three NRMM exempted excavators consist of two excavators equipped with short arms for excavation in confined environment and one excavator equipped with telescopic arm for deep excavation works. These three excavators were acquired for our project at No. 15 Middle Road, which is a project originated from the private sector commenced in September 2016 and required substantial high grade rock excavation; and
- (ii) our Directors had inspected these excavators before the purchase and found that they were in immaculate and well-functioning condition. Having considered the budget and that these three excavators were to be deployed to a private project (to which the phase out plan of the Technical Circular is not applicable), our Group decided to purchase them.

We do not have a pre-determined or regular placement cycle for our machinery. Replacement decisions are made on a case-by-case basis having regard to the operating condition of each unit of machinery, the cost effectiveness of replacing only the malfunctioning parts and the customers' requirements. In view of the phase out plan in the Technical Circular, our fleet of NRMM exempted NRMM would be deployed to projects from the private sector, and we plan to spend approximately HK\$29.8 million of our proceeds from the Share Offer to acquire approved NRMMs for projects from the public sector.

### **Service capacity and utilisation rate**

Owing to the unique nature of our foundation and site formation business and operations, our Directors consider that it is not feasible nor practicable to quantify and disclose detailed utilisation rate of our machinery and equipment for the following reasons:

- different projects require different types of machinery depending on their functions and it is therefore not entirely feasible to quantify the capacity of each piece of machinery by making reference to an objective and comparable scale or standard of measurement;

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- the utilisation rate of individual machinery cannot be clearly defined. A typical foundation and/or site formation project requires the use of different machinery at different stages, and the machinery from time to time are left unused at the active construction sites pending completion of other stages. Machinery are also sometimes left unused for repairing, assembling or disassembling in sites. For these reasons, it is our Directors' view that it would be difficult and even infeasible to define accurate utilisation rate of machinery in general;
- as set out in the fixed asset register of our Group as at 31 March 2017, we had over 130 items of machinery, equipment and tools. Given the number of machinery owned by our Group, it is impractical for us to make a full account of the daily/hourly usage of each individual machinery.

Though our Group does not quantify the utilisation rate of our machinery due to the above reasons, our Directors and management do monitor the overall deployment of our machinery in each of our construction site. We assess the current utilisation and the anticipated need for different types of our machinery and formulate acquisition plan based on the then status of our projects on hand, the number of our projects in the pipeline and their specific requirements, and our assessment on the availability and condition of our existing machinery.

Some of our machinery, such as the load shifting machines like excavators and loaders, are under the statutory requirements that they can only be operated by the operators who have attended the relevant training course and hold a valid certificate. As at the Latest Practicable Date, our Group had 36 machinery operators and all of them hold the relevant certificates for operating the machinery.

As at the Latest Practicable Date, our Group had a team of five in-house maintenance staff members consisting of our plant managers, machine operators and labour. Our plant manager has worked for our Group for over nine years. Our maintenance team is mainly responsible for inspecting our machinery regularly and arranging for repairing our machinery by the authorised dealer of the manufacturers or other external repair companies.

Further, to ensure the safety and efficiency of the works carried out by us, our maintenance team carries out regular inspections of the machinery. The frequency of inspection and servicing depends on the types of the machines, extent of use and their working conditions and the environment and condition of individual site area. Our Group performs a daily routine service and inspection, which include oiling, refueling and tire inspection for our machinery which are in use at the construction site.

With the possession of our own machinery and equipment, we do not have to hire or lease machinery and equipment from third party suppliers. We believe that our possession of different types of machinery and equipment has placed us in a position to cater to projects of different scale and complexity. Our Directors also consider that having our own machinery and equipment allows us to devise suitable work schedules and methods tailored for different needs and requirements of different customers and as a result, enable us to schedule our projects and deploy our manpower efficiently and effectively.

## **REPAIR, MAINTENANCE AND REPLACEMENT**

Our construction machinery are subject to normal wear and tear and these routine repair and maintenance are usually carried out by our foreman. When any of our construction machinery was found to be out-of-order, it would be sent to the authorised dealer or other third-party repair companies. The warranty period of new construction machinery is generally one year or 2,000 operation hours (whichever is the earlier). As at 31 March 2017, the average age of our construction machinery was approximately 3.2 years.

We adopt a straight-line depreciation policy on our construction machinery for 5 years, which our Directors believe is in line with industry norm. Similar to other properties, plant and equipment, we determine the useful life and residual value of the construction machinery based on various factors, such as expected usage of the particular machinery and their expected physical wear and tear as well as the experience of our Group with similar assets. For details of the relevant accounting policies and estimates, please refer to Notes 4 and 5 of the Accountants' Report set out in Appendix I to this prospectus.

Despite that the useful life for the construction machinery in general is considered to be 5 years pursuant to the accounting policy, it serves as a reference figure having considered the industry norm and regulatory environment relating to our business operations. Construction machinery, if fall within the relevant regulatory regime, are required to obtain relevant certifications before performing their tasks at construction sites and there are currently no restrictions imposed by the relevant regulatory regime in Hong Kong to prohibit the use of construction machinery with certain ages.

In respect of the leasing capacity over our construction machinery, given there is no strict definition for leasing capacity, our Directors would consider factors including the estimated and remaining useful life, the actual condition of individual construction machinery and we therefore maintain stable combination of our machinery fleet among different categories of construction machinery and review our machinery fleet regularly for the expansion of respective construction machinery as may be necessary. We will consider making replacement of existing construction machinery only when it is necessary.

In general, our Directors consider that the optimal life of our construction machinery during which they can operate most efficiently is approximately the first three to five years after they come into operation. After such period, the efficiency of our construction machinery generally starts to decline and the cost of maintenance gradually increases. We engage third-party service providers to repair and maintain our construction machinery on a regular basis. For each of the three years ended 31 March 2017, our expenses in repairing and maintaining our machinery, including the expenses of purchasing consumable spare parts of our construction machinery such as hydraulic hoses and jacks for regular replacement, amounted to approximately HK\$8.5 million, HK\$5.1 million and HK\$6.1 million. Our Directors consider that with proper maintenance, the operational life of our construction machinery could be over 10 years. As at the Latest Practicable Date, the average age of our construction machinery is approximately 3.5 years. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material work interruption due to malfunction of our construction machinery.

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### Finance Lease

During the Track Record Period, 15 units of machinery operated by our Group were financed by finance lease arrangements between our Group and financial institutions in Hong Kong whereby the ownership of the machinery remain with such financial institutions until the total rental set out in the individual lease agreements has been paid up in full and whereupon our Group has exercised or deemed to have exercised the option to purchase the relevant machinery. As at 31 March 2017, one unit of machinery was held under finance lease. Though the terms and conditions of the finance lease agreements entered into between our Group and the financial institutions are different, the salient terms thereof are now generalized and set out herein below:

Parties	The financial institution as the owner and our Group as the lessee
Ownership	The machinery is and will continue in the ownership of the financial institution until our Group has paid up the entire lease purchase price and interests and whereby, the ownership of the machinery will vest in our Group by our exercise of the option to purchase the machinery. Before the ownership of the machinery has vested in to our Group, our Group possess the machinery only as bailee
Lease Period	Two to five years
Rental	Being the aggregate of the outstanding balance of the lease purchase price of the machinery and the interest (as mentioned below)
Interest rate	The interest rate is calculated at a fixed rate. Obligation under finance leases carried interest at fixed rate rates from 3.8% to 8.7% per annum during the Track Record Period
Monthly rent	The rent is calculated based on the above-mentioned rental and the length of the lease period and is payable by us on a monthly basis
Option to purchase	Provided that we have duly observed and performed all our obligations and/or terms and conditions under the lease agreement and has paid the lease purchase price in full, we shall be entitled to exercise or is deemed to have exercised the option to purchase the machinery
Insurance	We shall insure the machinery against loss or damage during the lease period
Termination	We have the right to terminate the lease agreement during the lease period provided that, among others, we shall pay the financial institution
Termination on default	The financial institution is entitled to terminate the lease agreement upon the occurrence of any event of default set out in the lease agreement, whereupon, the financial institution shall have the right to repossess the machinery. In such event, we shall pay all unpaid amount, including outstanding rental, cost, and general damages (if any) to the financial institution upon demand

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Lessee's undertaking	We, as lessee, are subject to customer undertakings in the lease agreement such as keeping the machinery in good condition and repair at our own costs
Indemnity	We shall indemnify the financial institution by payment in cash on demand against all costs, charges, expenses and liabilities which may be incurred by the financial institution by reason of entering into lease agreement

As at 31 March 2015, 2016 and 2017, the aggregate net carrying value of our machinery under the prevailing lease agreements amounted to approximately HK\$7.7 million, HK\$5.5 million and HK\$0.4 million respectively. The lease arrangements are classified as finance leases under HKFRS.

### **ASSETS PROTECTION**

Our Group has made substantial investments in machinery and therefore proper storage of such machinery is important to our business operations. Our machinery not in use are safely kept at our warehouse. As part of our security measures, our warehouse is secured by the erection of security gates with locks at the point of entry. For our machinery kept in construction sites, there are security guards for safekeeping after normal working hours. During the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any theft incidents nor suffered any financial loss as a result of our machinery being intentionally damaged or stolen.

### **QUALITY CONTROL**

To maintain consistent quality of our services, we have established formal quality management system which is certified to be in compliance with the requirements of ISO 9001:2015. We have in-house quality assurance requirements that conform to the ISO 9001:2015 quality standards specifying, among other things, specific work procedures for performing different types of site works, management process, responsibilities of different levels, tendering process, cost control, quality inspection procedures and standards, subcontracting requirements, accident reporting, complaints handling and work procedures for operating different types of machinery and equipment. Our workers and our subcontractors are required to follow such procedures.

#### **Quality control on foundation and site formation projects**

Our Group places strong emphasis on construction site management. Hence, different job duties are assigned to different teams to ensure the quality of our works. Please refer to the paragraph headed "Operation flow — Project execution" in this section for the main responsibilities of each key member in our project team. In particular, the project manager, site agent, site supervisor and the foreman of each construction site are responsible for monitoring the quality of the works undertaken by our own workforce and our subcontractors.

Nevertheless, our Directors and senior management also closely monitor the quality of works by frequent inspections of the construction sites and the works carried out therein; and regular communications with the project teams assigned to different projects. Generally, each project team has to report to our Directors and senior management on an on-going basis on (i) progress of the works; (ii) quality of the works; and (iii) costs incurred by the works.

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Our customers, also carry out quality supervision to our construction works at various stages of the project. During the Track Record Period and up to the Latest Practicable Date, we had not received any complaint or request for any kind of compensation from our customers due to quality issue in relation to the works performed by us or by our subcontractors, which is considered by our Directors to be attributable to our effective quality control measures.

### **Quality control on our construction machinery**

Our construction machinery were purchased from the manufacturers or their authorised dealers in Hong Kong who have established satisfactory business relationships with us, and demonstrated consistency in the quality of their products. The brand new excavators will come with a one-year or 2,000-hour warranty. When the newly purchased construction machinery are delivered to us, our plant department will conduct inspection in order to ascertain the number of machinery and their parts is correct, there are no observable defects, and the machinery can function properly.

Maintenance works of our machinery are performed regularly by our in-house repair and maintenance team consisting of machine operators and a foremen, who are normally licensed operators. Our repair and maintenance team will carry out checking on the general condition of the machinery, foot and parking brakes, fuel level and greasing of the lubrication points before using or placing the machinery in our warehouse and to keep them in serviceable conditions.

When our machine operators or foremen identified any defects or malfunction of machinery which require repairing works, we will engage the authorized dealers of the manufacturers or other third-party repair companies to carry out such works. Inspection will also be performed by our foreman or operator to ensure the machinery are properly repaired without potential defects before use.

To ensure compliance with the NRMM Regulation, the Technical Circular and any other applicable laws and regulations regarding our construction machinery, our safety officer will advise our executive Directors on the proper measures to be taken after the publication of any regulatory announcement or circular in relation to the construction industry, in particular, any new requirements imposed on our construction machinery. We will also engage external professionals, including external legal adviser and other advisers to render professional advice as to compliances with statutory and regulatory requirements as applicable to our construction machinery from time to time.

Our Directors confirmed that, during the Track Record Period, there were no instances where our construction machinery under our machinery fleet had failed to obtain any of the certifications when required.

### **OCCUPATIONAL HEALTH AND SAFETY**

Our Group is committed to providing our own employees and the employees of our subcontractors with a safe and healthy working environment. We have established a safety and health management and audit system in accordance with the requirements of OHSAS 18001:2007 where Lik Shing Engineering was granted the OHSAS 18001:2007 certification on 7 April 2017.

Our safety plan is documented in writing and supplemented with instructions to our employees and subcontractors, trainings for the employees of both our Group and our subcontractors working at the construction sites and demonstrations of safety measures taken by us. Our qualified safety officer who is

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approved by the Labour Department in Hong Kong, is responsible for monitoring and implementing our safety plan and improve staff and workers safety awareness. We will continue to allocate adequate resources and efforts to uphold and improve our safety management in order to reduce our risks related to safety issues.

Our safety plan adopted and used during the Track Record Period sets out the work safety measures for the purpose of preventing any possible accidents which could happen at construction sites. We set forth below some summary of the details therein:

<b>Categories</b>	<b>Safety measures and requirements undertaken</b>
Personal protection equipment	<ul style="list-style-type: none"><li>● All persons entering our construction sites shall wear a suitable safety helmet, safety shoes and holding a valid Certificate for Mandatory Basic Safety Training Course for Construction Industry (commonly known as the “<b>Green Card</b>”).</li><li>● Hearing protective equipment such as ear muff or ear plug shall be wore when working at noise environment and safety belts or safety harnesses should be used with lifelines or attached to anchorage points whenever working at height.</li></ul>
Preventing manual handling risk	<ul style="list-style-type: none"><li>● Our safety supervisor shall carry out assessment for mechanical/manual lifting activities and report the same to our safety officer.</li><li>● Where necessary, modify methods for the handling of scaffolding brackets and other mid-platform components to eliminate or minimize the risk of musculoskeletal disorders.</li><li>● Provide sufficient working space and headroom to our workers during operations so that workers can move through the structure without having to stoop to avoid hitting their heads.</li><li>● Safety supervisor shall request the workers to have medical check if he/she finds that the worker is not physically or medically fit for manual materials handling.</li></ul>
Fall from height	<ul style="list-style-type: none"><li>● Fence off the affected area and post a notice to warn passers-by of the danger.</li><li>● Good and adequate lighting enables one to see what is obstructing the walkway and which part of the floor is wet and slippery to avoid danger.</li><li>● Proper personal protection equipment should be provided to workers.</li><li>● Provide tool box talk and training to workers.</li><li>● Stay alert in performing works at height.</li><li>● Train employees on the correct use of safety equipment and facilities.</li><li>● Conduct inspections, tests, housekeeping and cleaning work on a regular basis.</li></ul>

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Categories	Safety measures and requirements undertaken
Electricity	<ul style="list-style-type: none"><li>● All electrical equipment or apparatus should be regularly inspected, tested, repaired and maintained by competent persons to prevent danger. The frequency of inspections and tests depends on the category, frequency of use and the environment of the equipment used. The employer should ensure that only a person, who is competent in electrical work, is allowed to perform such work.</li></ul>
Fall in same level	<ul style="list-style-type: none"><li>● Provide access roads within the construction area/site.</li><li>● Ensure good visibility and safe access at site entrances.</li><li>● Provide adequate warning signs at the entrances and exits where necessary.</li><li>● Provide skips or dumping areas for rubbish and waste materials, and arrange for their clearance on a regular basis.</li><li>● Provide and maintain proper drainage and means of sewage disposal.</li></ul>

It is required, inter alia, under the Factories and Industrial Undertakings (Safety Management) Regulation (Cap. 59AF) (the “**Safety Management Regulation**”) that a contractor in carrying out construction works with a contract value of HK\$100 million or more or having an aggregate of 100 or more workers in a day working in one or more construction sites is required to appoint a registered safety auditor to conduct a safety audit to collect, assess and verify information on the efficiency, effectiveness and reliability of its safety management system at least once in every six months. The safety audit report shall cover the ten safety audit requirements as set out in Parts 1 and 2 of Schedule 4 of the Safety Management Regulation (the “**Ten Safety Audit Requirements**”).

During the Track Record Period and up to the Latest Practicable Date, there was only one project, namely, Hong Kong-Zhuhai-Macau Bridge Project undertaken by our Group that had an original contract value exceeding HK\$100 million, which required the preparation of a safety audit report. In this connection, a safety audit report was prepared by an external registered safety auditor on 17 June 2017 which covered the Ten Safety Audit Requirements under the Safety Management Regulation (the “**Safety Audit Report for the Project**”). Based on the scoring system of the Mandatory Safety Management Auditing (“**MSMA**”), we scored 488 marks out of a possible 605 marks for the Ten Safety Audit Requirements, equivalent to an overall score of 80.7%. It is concluded in the Safety Audit Report for the Project that our running of the safety management system of the Project has reached the “Excellent” level.

On the other hand, we had an aggregate of 100 or more workers working in our construction sites. In this connection, an independent safety audit had been carried out by an external registered safety auditor to assess our safety management system on 29 March 2017 and our overall score is 541 out of 650, equivalent to 83.2%. Apart from this safety audit report prepared by an external registered safety auditor, our five other safety audit reports during the Track Record Period were prepared by our in-house safety supervisor. All these six safety reports covering the Track Record Period had covered the Ten Safety Audit Requirements.

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We had not received any enquiries, complaints, warnings and investigations under the Factories and Industrial Undertakings Ordinance (Chapter 59 of the Laws of Hong Kong) and its subsidiary legislation (which would include the Safety Management Regulation), which had been confirmed by the Labour Department in writing in April 2017.

In light of the above, our Legal Counsel further opines that in the event that there are breaches of the Safety Management Regulation due to the deficiencies in some of our safety audit reports which may constitute non-compliances with the Safety Management Regulation, any action against our Group in this respect had been time-barred by virtue of section 26 of the Magistrates Ordinance (Chapter 227 of the Laws of Hong Kong) and all the said non-compliances with the Safety Management Regulation fall within the category of immaterial non-compliances as they would unlikely affect the operations and business/financial performances of our Group.

Additional internal control measures were adopted by our Group to enhance the compliance with the Safety Management Regulation. Our Group appointed our in-house safety officer to be responsible for overseeing the procedure of safety audits including engagement of the registered safety auditors and conducting the safety audits on time. Furthermore, our Directors will, from time to time, review the implementation of our internal control measures in relation to the safety issues.

### **Accidents during the Track Record Period and up to the Latest Practicable Date**

Although our Group has implemented safety plan to mitigate safety risks, the occurrence of accidents at construction sites cannot be completely eliminated due to the work nature in the construction industry. During the Track Record Period and up to the Latest Practicable Date, we recorded 22 personal injury accidents which gave rise or may give rise to potential employees' compensation claims and personal injury claims, involving five, nil, five and 12 workers who were employed by our Group and/or our subcontractors for each of the three years ended 31 March 2017 and the period from 1 April 2017 to the Latest Practicable Date.

The table sets forth the nature of the 22 personal injury accidents occurred during the Track Record Period and up to the Latest Practicable Date:

<b>Nature of accident</b>	<b>Number of accident</b>
Injured whilst lifting or carrying	9
Striking against moving objects	2
Struck by moving or falling object	1
Slip, trip or fall on same level	4
Injury by improper use of hand tool	1
Injury by projecting items	2
Injury by misuse of electric gate	1
Other — not work related	2
<b>Total</b>	<b>22</b>

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As at the Latest Practicable Date, out of the 22 personal injury accidents mentioned above, there were (i) two accidents in respect of which employees' compensation claims and personal injury claims with an aggregate settlement amount of approximately HK\$780,000 was settled; (ii) one accident in respect of which we had been served with a summons and a legal proceeding for personal injury claim had commenced and was in progress where the employees' compensation claim has been time-barred; (iii) one accident in respect of which a legal proceeding for employees' compensation claims was settled where the limitation period of the personal injury claim has not been expired; (iv) one accident in respect of which employees' compensation claim has been settled and the personal injury claim has been time-barred; (v) one accident in respect of which employees' compensation claim has been settled where the limitation period of the personal injury claim has not been expired; and (vi) 16 accidents in respect of which the injured persons have not yet filed any claims or commenced legal proceedings against our Group or the injured persons are still receiving periodical payments.

Injured workers may claim against us pursuant to the Employees' Compensation Ordinance and/or common law. With respect to injuries where the injured workers have only made an employees' compensation claim, the compensation paid to the injured workers under the Employees' Compensation Ordinance would not exempt our liabilities under common law. Pursuant to the Limitation Ordinance (Chapter 347 of the Laws of Hong Kong), the limitation period for making a claim for personal injury under common law is three years from the date of the relevant accident. As such, it is still possible for the injured worker to institute claims against us under common law provided that the limitation period had not yet expired as at the Latest Practicable Date. On the other hand, compensation paid to such injured worker, if any, would be reduced and off-set by the compensation already paid to the worker under the Employees' Compensation Ordinance. For further details of outstanding litigation and potential claims relating to employees' compensation claims under Employees' Compensation Ordinance or personal injuries claims under common law, please refer to the paragraph headed "Litigation and potential claims" in this section.

Despite the above, our liabilities for causing injuries to our employees or the employees of our subcontractors in Hong Kong would be sufficiently covered by the insurance maintained either by the main contractor of the relevant project, whether the claims are made under the Employees' Compensation Ordinance and/or at common law in Hong Kong.

There were 14 personal injury accidents at various construction sites for the period from 1 January 2017 to the Latest Practicable Date, as compared to three personal injury accidents for the year ended 31 December 2016. Our Directors confirm that such increase in the number of personal injury accidents was due to the following reasons:

- (1) Out of the 14 personal injury accidents happened for the period from 1 January 2017 to the Latest Practicable Date,
  - (a) three of them happened at the construction site at No. 15 Middle Road. For these three accidents, two of the injured were allegedly caused by slipping whilst lifting or carrying, and the remaining one was allegedly caused by striking by falling construction material. As the project at No. 15 Middle Road involved deep excavation and excavation in confined environment, the site workers were required to carry out lifting operation and to handle heavy construction material, such as metal bar, in confined

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environment. Therefore, due to the special feature of the project at No. 15 Middle Road, our site workers would be more susceptible to injury due to slipping or striking by falling object;

- (b) four of them happened at the construction site at Tseung Kwan O Area 65C2 Phase 1. Although the Group had filed the relevant Form 2 and Form 2B for these four accidents, two site workers in respect of two accidents had then written to the Labour Department informing the Labour Department of their decisions to withdraw their claims as their injuries were not caused by the site works delivered by the Group. Subsequently, our Group was informed by the Labour Department that the claims in respect of these four accidents had been withdrawn by the site workers; and
  - (c) there were five personal injury accidents (consisting of two, two and one accidents in the construction site at Tseung Kwan O Area 65C2 Phase 1, subsidised sale flats development at Queen's Hill and Lui Ming Choi Secondary School respectively) which were in minor nature resulting in incapacity for a period not exceeding three days and the statutory Form 2B was filed in all these cases.
- (2) From 1 January 2017 and up to the Latest Practicable Date, there were three, two, two and four accidents happened in our projects located at No. 15 Middle Road, Tai Tong (YLTL524), subsidised sale flats development at Queen's Hill and Tseung Kwan O Area 65C2 Phase 1, respectively. Our Directors confirm that as the schedules of these four projects were very tight, the working hours of our site workers in these projects were longer than those in other projects. In addition, our Group employed a substantial amount of new site workers with less experience and less familiar with our internal safety rules to cope with the tight schedules. For such reasons, our Directors believe that the site workers in these projects were more susceptible to personal injury accidents and hence led to a relatively higher accident rate during such period.

In the event of any industrial accidents resulting in injury to any person, we require our workers or employees of our subcontractors to report any accident to us for our further reporting to the main contractors. Our safety supervisor and our site agent will first record and preliminarily investigate the accident, including the date, time, personnel and machinery involved, the resulted injuries, the cause of the incidents and the interviews with witnesses (if any). Such a record will then be passed to our head office. Our safety officer will then follow up and prepare an incident follow up report. The incident follow up reports usually cover the background information of the work place, the injured worker's information, the circumstances of the accident, the causes and events leading up to the accident, the recommendations made by the safety officer and remedial actions and safety measures implemented for preventing recurrence of the industrial accident. Depending on the needs of our customers, our safety officer or safety supervisor may assist our customers to prepare the necessary form(s) to Labour Department accordingly.

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Furthermore, our Group adopted the following enhanced safety measures to prevent future accidents and protect the employees of our Group and subcontractors:

- (i) establishing the induction scheme which new construction workers will have an induction safety training within the first two days in the respective construction site to equip with adequate knowledge with regards to safety and their work and/or relevant risk and hazard on work site;
- (ii) providing sponsorship for our employees to attend seminars and training sessions with respect to safety and skills development;
- (iii) arranging tool box talks with construction workers after the occurrence of industrial accidents, which workers are allowed to express their opinion in relation to the safety topics in the respective tool box talks;
- (iv) promoting workers' safety awareness in manual lifting; against fall from height and falling object; and to prevent slip and trip and improving on site cleanliness and tidiness;
- (v) setting up a drill program with the execution of emergency drill from time to time to keep workers' safety awareness;
- (vi) carrying out internal site inspection to improve site safety standard; and
- (vii) organising additional company safety management committee meetings to raise safety awareness of our staff.

In addition, in view of the increase in the number of accidents for the period from 1 January 2017 to 31 August 2017, our Directors have taken the following remedial actions/additional safety measures:

- (1) Given that there were (i) eight accidents due to lifting or carrying; and (ii) two accidents due to slipping, tripping or falling on the same level, for the period from 1 January 2017 to the Latest Practicable Date, meetings have been held between our Directors, our safety officer and our external safety consultant for investigating the causes of these accidents, identifying weaknesses in respect of the existing occupational health and safety management system and recommending safety measures implemented for preventing recurrence of similar personal injury accidents. In particular, the following remedial actions/additional safety measures have been implemented:
  - (a) safety measures in response to the increase in accidents due to lifting or carrying:
    - (i) tool box talks regarding manual handling were held with the site workers briefing the following:
      - remove the obstructions along the route of manual handling;
      - use machinery and hand tools to assist if possible;
      - maintain appropriate posture while manually lifting and keeping the load close to waist and balance;

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(b) safety measures in response to the increase in accidents due to slipping, tripping or falling on the same level:

(i) tool box talks regarding tripping and falling on the same level were held with the site workers briefing the following:

- keep the material on site in an orderly manner;
- wear safety footwear and display signage for slippery area; and
- maintain the walkway.

Despite the increase in the number of personal injury accidents in the period after Track Record Period up to Latest Practicable Date, our Group's accident rate per 1,000 workers and fatality rate per 1,000 workers in for the period from 1 January 2017 up to Latest Practicable Date is 31.5 and nil, respectively, and is still lower than the industry rates announced by the Labour Department in each of three years ended 31 December 2016.

The table comparing the construction industry average accident and fatality rate against our Group on the basis of accident rate per 1,000 workers and fatality rate per 1,000 workers is set out below:

	<b>In construction industry</b> <i>(Note 1)</i>	<b>Our Group's construction sites</b> <i>(Note 2)</i>
<b>Year ended 31 December 2014</b>		
Accident rate per 1,000 workers	41.9	24.0
Fatality rate per 1,000 workers	0.2	—
<b>Year ended 31 December 2015</b>		
Accident rate per 1,000 workers	39.1	5.1
Fatality rate per 1,000 workers	0.2	—
<b>Year ended 31 December 2016</b>		
Accident rate per 1,000 workers	34.5	13.8 <i>(Note 3)</i>
Fatality rate per 1,000 workers	0.093	—

*Notes:*

- (1) The accident rates are for each of the three years ended 31 December 2016. Figures based on Occupational Safety and Health Statistics Bulletin No. 17 (August 2017) published by Occupational Safety and Health Branch of Labour Department, which the accident rate is calculated as the occurrence of industrial accidents during the year divided by the employment size which are based on the Quarterly Report of Employment and Vacancies Statistics published by the Census and Statistics Department.
- (2) The accident rates are for each of the three years ended 31 December 2016. Our Group's accident rate is calculated as the occurrence of reportable accidents during the year divided by the daily average construction site workers (including both employees of our Group and subcontractors) in our construction sites during the year and multiplied by 1,000.

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- (3) In view of the increase in accident rate for the year ended 31 December 2016, our Group appointed a safety officer in January 2017 as one of the remedial actions. The job responsibilities of safety officer include implementing safety plan and improving staff and workers safety awareness; investigating, recording and reporting industrial accidents; and advising our Board on the latest regulatory requirements.

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

For the year ended 31 December 2014	6.6
For the year ended 31 December 2015	1.4
For the year ended 31 December 2016	3.8
From 1 January 2017 to 31 August 2017	13.1

*Notes:*

- (1) LTIFR is a frequency rate that shows the amount of lost time injuries occurred over a specified time (e.g. per 1,000,000 hours) worked in a period. The LTIFRs shown above are calculated by using the total labour hours worked per year/period to divide the number of reportable cases and multiply by 1,000,000, assuming that the working hour of each worker is 12 hours per day. The number of working days for each of the three years ended 2016 and the eight months ended 31 August 2017 were 302 days, 302 days, 304 days and 201 days respectively.
- (2) Our Directors confirm that there is no public information in relation to the average LTIFRs of the construction industry in Hong Kong.

We experienced an increase in LTIFRs from 3.8 for the year ended 31 December 2016 to 13.1 for the eight months ended 31 August 2017. Our Directors believe that it was primarily due to the following reasons:

- (i) we had an increase in total labour hours worked in our sites for the eight months ended 31 August 2017 as compared with the same period in 2016, resulted in an increasing number of reportable accidents; and
- (ii) the current LTIFR for the eight months ended 31 August 2017 does not represent the final LTIFR for the entire year ending 31 December 2017, as all the relevant figures were calculated up to 31 August 2017 only. As a result, the final LTIFR for the year ending 31 December 2017 would vary.

Based on the above information, our Directors believe that the accident rates at the construction sites of our Group during the Track Record Period were lower than the industry average and there are no material deficiencies in the adequacy and effectiveness of our Group's safety measures. Furthermore, during the Track Record Period, our Group recorded no fatal injuries of our workers at our construction sites. Our Group will continue to deploy adequate resources and make an effort to maintain and enhance our safety management policy in order to mitigate our risks related to safety issues.

### **External Safety Consultant**

To further enhance our employees' awareness in work safety, in December 2016, we engaged an external safety consultant to advise us on our general safety policy. The external safety consultant is a chartered member of the Institution of Occupational Safety and Health of the United Kingdom and a Registered Safety Officer from Labour Department. The external safety consultant reviewed our existing health, safety and environmental management system. Based on the satisfactory standard achieved by the

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commitment of top management, the mandatory safety management audit questionnaire version 3.0 was used to assist the review and an overall score of 83.2 was attained which reflected excellent level of the occupational safety and health and management system and operational control reached by our Group.

Furthermore, we have requested our external safety consultant to, amongst others, (i) enhance on the weakness in respect of the existing quality, environmental and occupational health and safety management system; (ii) enhance the hazard identification and risk control capabilities and assist in encouraging the identification, sharing and implementation of best practice; (iii) provide us with periodic safety consultancy service including trainings to Directors and senior management; and (iv) provide safety audit services under legislation requirements.

Having considered (i) the adoption of safety policy and enhanced safety measures to prevent accidents; and (ii) the engagement of the external safety consultant, our Directors believe that we have maintained adequate safety measures for the occupational safety and health of our workers.

### **ENVIRONMENTAL COMPLIANCE**

Our Group is committed to environment protection by conducting our business in an environmentally responsible manner. We aim to prevent pollutions, reduce waste and enhance waste recycling from our operation through implementing an environmental management system, which would comply with ISO 14001:2015 requirements. Lik Shing Engineering was granted the ISO 14001:2015 certification on 7 April 2017.

During the Track Record Period, the aggregate annual costs incurred by our Group for compliance with applicable environmental laws and regulations in Hong Kong and requirements for customers to fulfil environmental obligation for green buildings accreditation was approximately HK\$2.1 million, HK\$6.8 million and HK\$0.7 million respectively, and was mainly attributable to the levy imposed by the Government on waste disposal required under applicable laws and regulations. We incurred a significant sum of HK\$6.8 million for compliance of environmental obligations for the year ended 31 March 2016. This was mainly due to our obligation to pay the levy for waste disposal under three contracts, namely (i) Lok Wo Sha Choi Sha Street project; (ii) Long Ping North project; and (iii) Yuen Long and Mui Wo Home Ownership Scheme project, with a total original contract sum of approximately HK\$178.8 million. On the other hand, the levy for waste disposal in other projects taken place for the year ended 31 March 2017 was mainly borne by our customers and thus, we only incurred HK\$0.7 million for compliance of environmental obligations in the same year. During the Track Record Period, our Group had not been prosecuted by any governmental authority for breaching any applicable environmental laws and regulations relating to environmental protection.

### **INSURANCE**

During the Track Record Period, we were covered by the insurance policies set out in the following paragraphs.

It is a common practice in the construction industry in Hong Kong, as well as a common term in most construction contracts between main contractors and subcontractors, that the main contractor of a project shall take out and maintain employees' compensation insurance under the Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) and contractors' all risks insurance for the entire project. The coverage of such insurance policies includes all works performed by the main

## **BUSINESS**

contractor and all its subcontractors. As a result, when we act as a subcontractor, we generally do not have to take out or maintain any insurance policies separately related to employee compensation and contractors' all risks arising from carrying out the works in the project and instead, we can rely on the insurance policies taken out and maintained by the relevant main contractor. In such case, there is always an explicit clause providing such reliance in the relevant subcontracts.

### **Employees' compensation**

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). We have taken out insurance policies with the amount of liability insured up to HK\$200 million per incident in accordance with such requirements.

According to section 24 of the Employees' Compensation Ordinance, we are liable to pay compensation to any injured employee of our subcontractors, who is injured in the course of his/her employment to our subcontractors in carrying out the subcontract works for us. Such liabilities are covered by the aforementioned insurance policies taken out by our main contractors. In addition, under section 24 of the Employees' Compensation Ordinance, we may, nonetheless, take action to recover from the sub-subcontractor (who is the actual employer of the injured employee) any payment which the sub-contractor is required to make.

### **Contractors' all risks insurance**

Contractors' all risk insurance policies generally cover potential loss, damage or destruction to the buildings, structures and any other constructions under our construction works as well as potential bodily injury to third parties or damage to third parties' properties as a result of the performance of our construction works.

### **Other insurance coverage maintained by our Group**

We have maintained the insurance coverage against, among other matters, (i) general office risks including loss or damage to our office contents and any bodily injury occurring in our office premises; and (ii) loss or damage to our machinery and motor vehicles and third-party liability in relation to the use of our motor vehicles.

Our Directors consider that our insurance coverage is adequate and consistent with industry norm regarding our current scope of operations. During the Track Record Period and up to the Latest Practicable Date, we had not made, and had not been the subject of, any material insurance claim.

## **MARKET AND COMPETITION**

According to the Ipsos Report, the foundation and site formation industry in Hong Kong is fairly consolidated. The top five contractors contributed approximately 46.4% of the total revenue of the foundation and site formation industry in Hong Kong in 2016. Our Group accounted for approximately 1.5% of the total revenue of the foundation and site formation industry in Hong Kong in 2016. The factors of competition in the foundation and site formation industry in Hong Kong mainly include: (i)

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established reliable working relationship with customers, subcontractors, raw material suppliers and workers; (ii) experience in foundation works project management and technical expertise; (iii) financing capabilities; (iv) industry reputation and proven track record; (v) competitive project pricing; and (vi) efficiency in fulfilling project requirement and timeline.

Our Directors consider that there are a number of market entry barriers to the foundation and site formation industry in Hong Kong, which hinder new player entries. Such entry barriers mainly include (i) huge capital investment; (ii) insufficient industrial experience of new players; and (iii) lack of reputation and credibility of new players. Details of the entry barriers are set out in the paragraph headed “Industry overview — Entry barriers” in this prospectus.

In view of the competition in the foundation and site formation industry, we believe that our competitive strengths have contributed to the success of our Group and under the management of our experienced Directors and senior managements, our Group is well positioned to capture the growing demand for the foundation and site formation industry in Hong Kong. For further details of our competitive strengths, please refer to the paragraphs headed “Competitive strengths” in this section.

### **SEASONALITY**

Our Directors believe that the foundation and site formation industry in which we operate does not exhibit any significant seasonality.

### **LICENCES AND PERMITS**

When we undertake subcontracting works for construction projects, if the main contractors hold all the required registration for the said project, we are not required to hold the same registration as the main contractor. However, in order to build up a pool of capable and responsible subcontractors with specialised skills and strong professional ethics, the Construction Industry Council has introduced a SRS for subcontractors who are engaged in building and engineering works. The Airport Authority, Development Bureau, Housing Authority and some private organizations are in support of the scheme. As a result, for their projects, main contractors will be required to engage registered subcontractors for carrying out their subcontract works.

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To enhance the recognition as an active partner in the construction industry, two of our operating subsidiaries have been registered with the Construction Industry Council under the scheme, details of which are as follows:

Registration	Trade Code	Trade Specialty	Granted by	Granted to	Date of first registration	Date of next renewal
Registered subcontractor	01.01 Demolition	General demolition	Construction Industry Council	Lik Shing Engineering	May 2008	May 2018
	01.02 Foundation and piling	Sheet piles			May 2008	May 2018
	01.03 Concreting formwork	Timber formwork			June 2016	June 2018
	01.04 Reinforcement bar fixing	Reinforcement Bar Fixing			May 2014	May 2018
	01.05 Concreting	Concreting			May 2014	May 2018
	01.09 General civil works	Earthwork			May 2008	May 2018
Registered subcontractor	01.02 Foundation and piling	Sheet piles	Construction Industry Council	Lik Shing Construction	December 2014	December 2018
	01.04 Reinforcement bar fixing	Reinforcement bar fixing				
	01.05 Concreting	Concreting				
	01.09 General civil works	Earthwork				

Renewal of the aforementioned registrations is required every two years. As we had not experienced any refusal of registration on the registration scheme nor any regulatory action being brought by the Construction Industry Council against us during the Track Record Period and up to the Latest Practicable Date, our Directors believe that we should not encounter any difficulties in obtaining the renewal of any registrations in the future.

Our Directors, upon obtaining legal advice, confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had obtained and held all the approvals, permits, consents, licences and registrations required for our business and operations in Hong Kong.

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### MAJOR CERTIFICATIONS

In recognition of our outstanding performance and quality of work, our Group has received the following certifications from professional accreditation organisations:

Nature	Certification	Scope	Holder	Year of grant
Environment management system accreditation	ISO 14001:2015	<ol style="list-style-type: none"> <li>1. Demolition works</li> <li>2. Foundation</li> <li>3. Sheet piling</li> <li>4. Site formation</li> <li>5. Formwork</li> <li>6. Rebar fixing</li> <li>7. Concreting work</li> </ol>	Lik Shing Engineering	2017
Occupational health and safety management system	OHSAS 18001:2007	<ol style="list-style-type: none"> <li>1. Demolition works</li> <li>2. Foundation</li> <li>3. Sheet piling</li> <li>4. Site formation</li> <li>5. Formwork</li> <li>6. Rebar fixing</li> <li>7. Concreting work</li> </ol>	Lik Shing Engineering	2017
Quality management system accreditation	ISO 9001:2015	<ol style="list-style-type: none"> <li>1. Demolition works</li> <li>2. Foundation</li> <li>3. Sheet piling</li> <li>4. Site formation</li> <li>5. Formwork</li> <li>6. Rebar fixing</li> <li>7. Concreting work</li> </ol>	Lik Shing Engineering	2017

Each of ISO 9001, ISO 14001 and OHSAS 18001 certification currently carries a duration of three years, within which period surveillance audit on us is conducted by the certification body every year to review the implementation of the relevant systems for compliance. After this three-year period, each of the ISO 9001, ISO 14001 and OHSAS 18001 certification is to be further certified subject to successful implementation of a renewal audit by the certification body.

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### Recognitions and Awards

The following table sets out our major non-recurring awards and recognitions obtained by us in the past and up to the Latest Practicable Date:

Year of Award	Recipient	Award	Project	Awarding organisation or authority
2015	Lik Shing Engineering	Model Subcontractor Award (Considerate Contractors Site Award Scheme)	Central-Wan Chai Bypass-Tunnel (Slip Road 8 Section)	Development Bureau and Construction Industry Council
2014	Lik Shing Engineering	Outstanding Performance Certificate for Subcontractor Safety Representative	Foundation for Public Rental Housing Development at San Po Kong	China State Foundation Engineering Limited
2013	Lik Shing Engineering	The best subcontractor award	Overall projects	Kin Wing Foundations Limited
2012	Lik Shing Engineering	Best subcontractor award	Foundation for public rental housing development at Ex-Au Tau Departmental Quarters, Yuen Long	China State Construction Engineering (HK) Limited
2012	Lik Shing Engineering	Best safety & environmental performance award	Foundation for public rental housing development at Shatin area 52 phases three and four	China State Construction Engineering (HK) Limited
2012	Lik Shing Engineering	Model Subcontractor Award (Considerate Contractors Site Award Scheme)	Foundation for public rental housing development at Shatin area 52 phases three and four	Development Bureau and Construction Industry Council

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### OUR EMPLOYEES

#### Number of employees

As at the Latest Practicable Date, we had 204 full-time employees (including our Directors) who were directly employed by us in Hong Kong. The following table sets out the number of our employees by their functional role:

	As at 31 March			As at the Latest Practicable Date
	2015	2016	2017	
Directors (of our Group)	1	1	1	4
Project management (including project managers, foremen and safety staff)	16	14	17	14
Contract management (including contract managers and quantity surveyors)	1	1	3	3
Administration, accounting and finance	2	4	6	4
Direct site workers ( <i>Note</i> )	150	187	203	179
<b>Total</b>	170	207	230	204

*Note:* The number of direct site workers include the workers employed by us on a permanent basis (who are entitled to a fixed monthly salary) and temporary basis (who are paid based on the number of days they work at the site).

#### Relationship with staff

Our Directors consider that we have maintained good relationships with our employees. We had not experienced any significant problems with our employees or any material disruptions to our operations due to labour disputes nor had we experienced any difficulties in the recruitment or retention of experienced staff or skilled personnel during the Track Record Period and up to the Latest Practicable Date.

#### Training and recruitment policies

We generally recruit our employees from the open market or through staff referral. We recruit our employees from open market by placing recruitment advertisements and participate in job fairs.

We provide our employees with, and subsidise our employees to attend, various trainings on occupational health and safety education and training organised by us or external parties to improve their technical competence and, knowledge about construction regulatory requirements. It is our Directors' intention to nourish talents and strengthen their loyalty through sponsoring them with necessary trainings.

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### Remuneration policy

We entered into separate employment contract with each of our employees. The remuneration package offered to our employees generally includes basic salary, bonuses, other cash subsidies and allowances. In general, we determine employee salaries based on each employee's qualifications, experience and capability and the market remuneration rate. Our Group conducts an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary adjustments, bonuses and promotions. For some in-house site staff, our Group employs them as daily workers and their remuneration package includes salary and overtime allowances.

Our direct staff cost, including wages, salaries and other employee's benefits, amounted to approximately HK\$42.4 million, HK\$57.9 million and HK\$59.2 million for each of the three years ended 31 March 2017, which amounted to approximately 19.8%, 18.5% and 17.7% of our cost of sales respectively.

### RESEARCH AND DEVELOPMENT

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

### INTELLECTUAL PROPERTY

As at the Latest Practicable Date, our Group had not applied for registration of or registered any trademark.

As at the Latest Practicable Date, our Group is the owner of the following domain names which are considered by our Directors, are material to the business of our Group:

Domain name	Registrant	Registration date	Expiry date
likshingeng.com	Lik Shing Engineering	26 August 2014	26 August 2021
wingchiholdings.com	The Company	9 March 2017	9 March 2022

Save as set above, as at the Latest Practicable Date, we did not have any material intellectual property rights (whether registered or pending registrations) that are significant to our business operations or financial positions. As at the Latest Practicable Date, we had not engaged in, and were not aware of, any litigation or legal proceedings for the violation of intellectual property rights or any material violation.

### OUR PROPERTIES

#### Owned property and property activities

As at the Latest Practicable Date, Lik Shing Construction, is the registered owner of the property situated at, Unit no. 12 on 10th Floor, One Midtown, 11 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong (the "Owned Property"), with a saleable area of approximately 830 square feet. Our

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property activity (within the meanings of the Listing Rules) concerns the Owned Property for lease to a third-party tenant. Please refer to “Appendix III — Property Valuation Report” for the full-text valuation report prepared by our Property Valuer on this property.

### Leased Property

As at the Latest Practicable Date, we leased the following properties for our business operations:

Address	Landlord	Use of the property	Major terms of the tenancy
Unit 4A on 34 <sup>th</sup> Floor, Cable TV Tower, No. 9 Hoi Shing Road, Tsuen Wan, New Territories	An Independent Third Party	Workshop and ancillary office	Monthly rental of HK\$15,500 (exclusive of government rates, government rent and management fees) with the term commencing from 10 February 2017 to 9 February 2019 (both dates inclusive)
Lot numbers 625 and 626 in D.D. 124 Yuen Long, New Territories	An Independent Third Party	Warehouse	Monthly rental of HK\$50,000 with the term commencing from 1 February 2017 to 30 June 2018 (both dates inclusive)

Save as disclosed above, our Group did not have any other property interests as at the Latest Practicable Date.

### REGULATORY COMPLIANCE

Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, there was no non-compliance incident of our Group which is deemed to be material or systemic non-compliance.

### Indemnity given by our Controlling Shareholders

Our Controlling Shareholder, collectively as the indemnifiers, entered into the Deed of Indemnity whereby our Controlling Shareholders have agreed to indemnify our Group, subject to the terms and conditions of the Deed of Indemnity, in respect of any liabilities and penalties which may arise as a result of any non-compliances of our Group on or before the date on which the Public Offer becomes unconditional. Further details of the Deed of Indemnity are set out in the paragraphs headed “E. Other information — 1. Tax and other indemnities” in Appendix V to this prospectus.

**INTERNAL CONTROL**

To streamline the current internal control procedures, we engaged the Internal Control Consultant in February 2017 to review the adequacy and effectiveness of our internal control procedures, systems and controls. The Internal Control Consultant is a professional firm specialising in providing corporate governance, internal audit and internal control review services to new listing applicants and listed companies.

The objective of the internal control review is to assess and identify significant weakness in relevant procedures, systems and controls as established by our Group. A detailed evaluation was done by our Internal Control Consultant. Through an initial review during March and April 2017, our Internal Control Consultant identified some weaknesses and deficiencies in our internal control system and recommended certain measures to be implemented. Based on such recommendations, we implemented remedial measures on the areas including staff management, budget and risk management, information and communication system and internal audit functions to improve our internal control system.

The Internal Control Consultant has identified the following key findings and our Group has taken the following remedial actions based upon the Internal Control Consultant's recommendations:

**KEY FINDINGS**

**REMEDIAL ACTIONS TAKEN**

Our Group did not have a company website that used to publish company information to their stakeholders and for data sharing.

Our Group set up an internet website, establish an IT Department to monitor and record the information that has been post on the internet website.

Our Group has no system regarding the distribution of annual/interim reports and publications.

Our Group set up a system regarding the distribution of annual/interim reports and publications.

Our Group did not have formal cash reimbursement procedures. No cash reimbursement forms were used by site workers or head office staff.

Our Group implemented the cash reimbursement policy for both office and sites staff.

Our Group has no compliance manual setting out all relevant laws and regulations such as the Listing Rules, the Companies Ordinance, the Inland Revenue Ordinance and the Employment Ordinance.

Our Group set up written compliance manual setting out all relevant laws and regulations such as the Listing Rules, the Companies Ordinance, the Inland Revenue Ordinance and the Employment Ordinance.

### Internal control measures to improve corporate governance

In order to continuously improve our Group's corporate governance and other relevant legal and regulatory compliance in the future, our Group has adopted or will adopt the following measures recommended by the Internal Control Consultant:

1. On 25 May 2017, our Directors attended training sessions conducted by our legal adviser as to Hong Kong law on the on-going obligations and duties of a director of a company whose shares are listed on the Stock Exchange.
2. We have engaged Dakin Capital as our compliance adviser upon the Listing to advise us on regulatory compliance with the Listing Rules.
3. When necessary, we will engage external professional, including auditors, internal control consultant, external legal adviser(s) and other advisers to render professional advice as to compliance with statutory and regulatory requirements, as applicable to our Group from time to time. Our Group intend to retain Global Vision CPA Limited as auditors for the statutory financial statements of our subsidiaries while SHINEWING (HK) CPA Limited as the auditor for the consolidated financial statements of the Group and financial statement of the Company after listing.
4. On 21 September 2017, we established an Audit Committee which will implement formal and transparent arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations, including timely preparation and laying of accounts. It will also periodically review our compliance status with the Hong Kong laws after the Listing. The Audit Committee will exercise its oversight by:
  - (i) reviewing our internal control and legal compliance;
  - (ii) discussing the internal control systems with the management of our Group to ensure that the management has performed its duty to have an effective internal control system; and
  - (iii) considering the major investigation findings on internal control matters as delegated by the Board or on its own initiative and the management's response to these findings.
5. Our Group will seek professional advice and assistance from independent internal control consultants, external legal advisers and/or other appropriate independent professional advisers with respect to matters related to our internal controls and compliance when necessary and appropriate.
6. Our Group has adopted preventive measures to ensure our tendering process is in compliance with the Competition Ordinance (Chapter 619 of the Laws of Hong Kong), including not colluding with other market participants on any parameter of competition such as price and output. Our staff members are prohibited to enter into any kind of arrangements or agreements with our Group's competitors in the market that will cause price fixing, output restriction, market sharing or the rigging of potential bids or to conduct any acts which aims

## BUSINESS

to prevent, restrict or distort competition in Hong Kong. Our Directors confirm that we will regularly seek legal advice on whether our arrangements comply with the Competition Ordinance.

### **View of our Directors and the Sole Sponsor**

Based on the Internal Control Consultant's review and recommendations, our Group adopted the measures and policies to improve its internal control systems and to ensure its compliance with the Listing Rules and the relevant Hong Kong laws. Also, after the Internal Control Consultant performed their follow-up review in May and June 2017, they were satisfied that our Group has implemented the internal control measures according to their recommendation, they thus have not identified any further issues and have made no further recommendations in the respective areas covered in their reviews. Based on the results of the internal control reviews above, our Directors are of the view, and the Sole Sponsor concurs, that adequate and effective internal control procedure and policies have been put in place by our Group.

### **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 systems for managing the more particular operational and financial risks relating to our business operation:

**(i) Customer concentration risk**

Please refer to the paragraphs headed "Customers — Customer concentration" and "Customer — Sustainability of our business" in this section.

**(ii) Risk of potential inaccurate costs estimation and cost inflation**

Please refer to the paragraph headed "Pricing strategy" in this section.

**(iii) Risk relating to suppliers' and subcontractors' performance**

Please refer to the paragraph headed "Our suppliers — Selection of suppliers" and "Subcontracting — Control over subcontractors" in this section.

**(iv) Quality control system**

Please refer to the paragraph headed "Quality control" in this section.

**(v) Financial risks, in particularly foreign currency risk, credit risk and liquidity risk**

Please refer to the paragraph headed "Financial information — Financial and capital risk management" in this prospectus and Note 6 and 7 in the Accountants' Report in Appendix I to this prospectus.

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### (vi) Risk of possible failure, damage or loss of machinery

Please refer to the paragraph headed “Repair, maintenance and replacement” and “Assets protection” in this section.

### (vii) Health and safety system

Please refer to the paragraph headed “Occupational health and safety” in this section.

### (viii) Environmental management system

Please refer to the paragraph headed “Environmental compliance” in this section.

### (ix) Corporate governance measures

Please refer to the paragraph headed “Relationship with the Controlling Shareholders — 3. Corporate governance measures” in this prospectus.

## LITIGATION AND POTENTIAL CLAIMS

During the Track Record Period and as at the Latest Practicable Date, our Group had been or was involved in a number of civil litigation, criminal litigations and pending or threatened claims.

### (i) Outstanding civil litigations as at the Latest Practicable Date

No.	Nature of incident/claim	Date/period of incident	Capacity of plaintiff(s)	Name(s) and capacity of defendant(s)	Amount/estimated quantum of damages claimed	Status
1.	A claim for damages for personal injuries by the plaintiff in 2014, it was alleged that the plaintiff sustained injuries in his left clavicle when he was working at the construction site in Tseung Kwan O, New Territories.	14 May 2014	Our employee	Kin Wing Foundations Limited as main contractor  Lik Shing Engineering as subcontractor	To the best knowledge of our Directors, the plaintiff made a claim of approximately HK\$5.7 million plus interest	As at the Latest Practicable Date, our Directors confirm that the case has been taken over by the insurance company

No provision was made for the above cases as our Directors believe that the above-mentioned personal injury claim is expected to be covered by the relevant insurance policies taken out by our customers.

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### (ii) Outstanding criminal litigations as at the Latest Practicable Date

As at the Latest Practicable Date, our Group was subject to two criminal litigations in the course of our business pursuant to two summonses issued by the Electrical & Mechanical Services Department on 4 May 2017 to Lik Shing Engineering. The following table sets forth the details of the two summonses:

Name of subsidiary	Particulars of the charges	Relevant laws and regulations	Estimated amount of penalty	Status
Lik Shing Engineering	On 4 May 2017, Lik Shing Engineering was charged by the Electrical & Mechanical Services for its alleged failure to take all reasonable step to ascertain the existence within the works site near lamp pole U7657 at 178 Hing Fong Road, Kwai Fong, New Territories and its vicinity of any underground electricity cable and its alignment and depth.	Sections 10(1)(a) & 17(3) of the Electricity Supply Lines (Protection) Regulation (Chapter 406H of the Laws of Hong Kong) (the "ESLPR")	<p>As advised by the Legal Counsel, pursuant to regulations 10(1)(a) &amp; 17(3) of the ESLPR, the maximum penalty for non-compliance is a fine at HK\$25,000 and to a imprisonment for six months, and therefore Lik Shing Engineering may be subject to the maximum penalty of a fine of HK\$25,000 for the charge as imposed under such regulations.</p> <p>As advised by the Legal Counsel, based on the experience and knowledge of the Legal Counsel, the likely penalty would be a fine of HK\$5,000 if Lik Shing Engineering is found liable.</p> <p>Since the Directors, offices and employees of Lik Shing Engineering are not the defendants, they will not have any liability. Therefore, nobody will be subject to any imprisonment under the charge.</p>	Ongoing. Hearings were conducted on 8 June 2017, 20 July 2017 and 14 September 2017, respectively. The next hearing is fixed on 23 November 2017.
Lik Shing Engineering	On 4 May 2017, Lik Shing Engineering was charged by the Electrical & Mechanical Services for its alleged failure to ensure that all reasonable measure were taken to prevent the occurrence of an electrical accident or an interruption to the supply of electricity arising from those works at location of a works site near lamp pole U7657 at 178 Hing Fong Road, Kwai Fong, New Territories.	Sections 10(2)(a) & 17(4) of the ESLPR	<p>As advised by the Legal Counsel, pursuant to regulations 10(2)(a) &amp; 17(4) of the ESLPR made under section 59 of the EO, the maximum penalty for non-compliance Lik Shing Engineering may be subject to the maximum penalty of (i) a fine of \$200,000 and to imprisonment for 12 months if the contravention results in an electrical accident or an interruption to the supply of electricity; or (ii) in any other case, to a fine at HK\$25,000 and to imprisonment for 6 months. As the charges involve an alleged occurrence of an electrical accident or interruption to the supply of electricity.</p> <p>As advised by the Legal Counsel, based on the experience and knowledge of the Legal Counsel, the likely penalty would be a fine of HK\$10,000 if Lik Shing Engineering is found liable.</p> <p>Since the directors, offices and employees of Lik Shing Engineering are not the defendants, they will not have any liability. Therefore, nobody will be subject to any imprisonment under the charge.</p>	Ongoing. Hearings were conducted on 8 June 2017, 20 July 2017 and 14 September 2017, respectively. The next hearing is fixed on 23 November 2017.

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In view of the amount of the likely penalty of the above-mentioned incidents, our Directors consider that no provision is necessary to be made.

Our Directors confirmed that during the Track Record Period, we had maintained an internal policy to ensure the compliance with the ESLPR which an competent person as approved by the Director of Electrical and Mechanical Services (the “**Competent Person**”) shall be engaged to identify and point out the exact location of the electricity cables to the workers if the utility detection works fall within the work scope of our Group and all workers shall prevent damages on electricity cables and strictly follow our Group’s policy when carrying out the construction works.

Upon the occurrence of the damage of an electricity cable at the construction site at 178 Hing Fong Road, Kwai Fong, New Territories, our Group had taken steps to enhance our internal control measures to prevent recurrence of the incident. Our internal control measures include, but not limited to, the following:

- (i) our Group conducted internal trainings for our staffs on appropriate procedures before excavation to increase the awareness of the underground conditions including electricity cables and our Group will conduct internal trainings from time to time when appropriate;
- (ii) our Group will engage an external competent person if the utility detection works fall within the work scope of our Group and the senior project manager/project manager in charge will review the qualification and experience of the competent person to ensure his/her competency before the engagement; and
- (iii) some of our site agents have completed the underground cable detection training course which is recognised by EMSD for registration as the Competent Person for locating underground electricity cables under the ESLPR. They will be responsible to cross check the utility alignment demarcated by the external Competent Person prior to the execution of certain excavation works.

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### (iii) Potential employees' compensation claims and personal injuries claims as at the Latest Practicable Date

All injured persons may commence their claims under the Employees' Compensation Ordinance and/or their personal injury claims under common law within the limitation period of two years (for employees' compensation claims) or three years (for personal injury claims) from the date of the relevant accidents. There were 22 accidents recorded during the Track Record Period and up to the Latest Practicable Date. As at the Latest Practicable Date, out of the 22 accidents mentioned above, there were (i) two accident in respect of which employments' compensation claims and personal injury claims with an aggregate settlement amount of approximately HK\$780,000 were settled; (ii) one accident in respect of which summons had been received and a legal proceeding for personal injury claim was commenced and outstanding where the employees' compensation claim has been time barred; (iii) one accident in respect of which a legal proceeding for employees' compensation claims was settled where the limitation period of the personal injury claim has not been expired; (iv) one accident in respect of which employees' compensation claim has been settled and the personal injury claim has been time-barred; and (v) one accident in respect of which employees' compensation claim has been settled where the limitation period of the personal injury claim has not been expired. As such, as at the Latest Practicable Date, we had a total of 18 potential personal injury claims and 16 potential employees' compensation claims, as follows:

No.	Nature of incident <i>(Note)</i>	Date of incident <i>(Note)</i>	Capacity of plaintiff(s) <i>(Note)</i>	Limitation period of potential claim(s) against us	Status
1.	A worker alleged that he sprained his right shoulder when he was working at a construction site in Wan Chai West, Hong Kong	30 December 2014	Our employee	Employees' compensation claim: settled  Personal injury claim: expire on 30 December 2017	The plaintiff had filed an employees' compensation claim against us which was settled as at Latest Practicable Date.  As advised by the Legal Counsel, if the potential personal injury claim proceed, the case will be taken over by the insurance company
2.	A worker alleged that he sustained injuries to his face when he was working at a construction site in Kwai Chung, New Territories	5 November 2016	Our employee	Employees' compensation claim: expire on 5 November 2018  Personal injury claim: expire on 5 November 2019	A Form 2 was filed with the Labour Department.  As advised by the Legal Counsel, if the potential employees' compensation and/or potential personal injury claim proceed, the case will be taken over by the insurance company

## BUSINESS

No.	Nature of incident <i>(Note)</i>	Date of incident <i>(Note)</i>	Capacity of plaintiff(s) <i>(Note)</i>	Limitation period of potential claim(s) against us	Status
3.	A worker alleged that he sustained injuries to his right leg when he was working at a construction site in Tsim Sha Tsui, Kowloon	15 December 2016	Our subcontractor's employee	<p>Employees' compensation claim: expire on 15 December 2018</p> <p>Personal injury claim: expire on 15 December 2019</p>	<p>A Form 2 was filed with the Labour Department.</p> <p>As advised by the Legal Counsel, if the potential employees' compensation and/or potential personal injury claim proceed, the case will be taken over by the insurance company</p>
4.	A worker alleged that he sustained injuries to his back when he was working at a construction site in Tsim Sha Tsui, Kowloon	30 December 2016	Our subcontractor's employee	<p>Employees' compensation claim: expire on 30 December 2018</p> <p>Personal injury claim: expire on 30 December 2019</p>	<p>A Form 2 was filed with the Labour Department.</p> <p>As advised by the Legal Counsel, if the potential employees' compensation and/or potential personal injury claim proceed, the case will be taken over by the insurance company</p>
5.	A worker alleged that he sustained injuries to his body when he was working at a construction site in Tsim Sha Tsui, Kowloon	8 March 2017	Our subcontractor's employee	<p>Employees' compensation claim: expire on 8 March 2019</p> <p>Personal injury claim: expire on 8 March 2020</p>	<p>A Form 2 was filed with the Labour Department.</p> <p>As advised by the Legal Counsel, if the potential employees' compensation and/or potential personal injury claim proceed, the case will be taken over by the insurance company.</p>
6.	A worker alleged that he sustained injuries to his head when he was working at a construction site in Tsim Sha Tsui, Kowloon	8 March 2017	Our subcontractor's employee	<p>Employees' compensation claim: expire on 8 March 2019</p> <p>Personal injury claim: expire on 8 March 2020</p>	<p>A Form 2 was filed with the Labour Department.</p> <p>As advised by the Legal Counsel, if the potential employees' compensation and/or potential personal injury claim proceed, the case will be taken over by the insurance company.</p>

## BUSINESS

No.	Nature of incident <i>(Note)</i>	Date of incident <i>(Note)</i>	Capacity of plaintiff(s) <i>(Note)</i>	Limitation period of potential claim(s) against us	Status
7.	A worker alleged that he sustained injuries to his left foot when he was working at a construction site in Tsim Sha Tsui, Kowloon	19 April 2017	Our employee	<p>Employees' compensation claim: expire on 19 April 2019</p> <p>Personal injury claim: expire on 19 April 2020</p>	<p>A Form 2 was filed with the Labour Department.</p> <p>As advised by the Legal Counsel, if the potential employees' compensation and/or potential personal injury claim proceed, the case will be taken over by the insurance company.</p>
8.	A worker alleged that he sustained injuries to his eye when he was working at a construction site in Shum Shui Po, Kowloon	20 April 2017	Our employee	<p>Employees' compensation claim: expire on 20 April 2019</p> <p>Personal injury claim: expire on 20 April 2020</p>	<p>A Form 2 was filed with the Labour Department.</p> <p>As advised by the Legal Counsel, if the potential employees' compensation and/or potential personal injury claim proceed, the case will be taken over by the insurance company.</p>
9.	The worker alleged that his left middle finger was injured by a handheld machine	22 June 2017	Our employee	<p>Employees' compensation claim: 22 June 2019</p> <p>Personal injury claim: 22 June 2020</p>	<p>A Form 2 was filed with the Labour Department.</p> <p>As advised by the Legal Counsel, if the potential employees' compensation and/or potential personal injury claim proceed, the case will be taken over by the insurance company</p>
10.	The worker alleged that he was slipped on the platform and suffered from left rib fracture	10 July 2017	Our subcontractor's employee	<p>Employees' compensation claim: 10 July 2019</p> <p>Personal injury claim: 10 July 2020</p>	<p>A Form 2 was filed with the Labour Department.</p> <p>As advised by the Legal Counsel, if the potential employees' compensation and/or potential personal injury claim proceed, the case will be taken over by the insurance company</p>

## BUSINESS

No.	Nature of incident <i>(Note)</i>	Date of incident <i>(Note)</i>	Capacity of plaintiff(s) <i>(Note)</i>	Limitation period of potential claim(s) against us	Status
11.	The worker alleged that he dropped a steel reinforcement bar on his left foot big toe	17 July 2017	Our employee	<p>Employees' compensation claim: 17 July 2019</p> <p>Personal injury claim: 17 July 2020</p>	<p>A Form 2B was filed with the Labour Department and withdrawn by the worker.</p> <p>As advised by the Legal Counsel, if the potential employees' compensation and/or potential personal injury claim proceed, the case will be taken over by the insurance company</p>
12.	The worker alleged that he twisted his back and suffered back pain when lifting steel reinforcement bars from the ground to the bar bending machine	24 July 2017	Our employee	<p>Employees' compensation claim: 24 July 2019</p> <p>Personal injury claim: 24 July 2020</p>	<p>A Form 2B was filed with the Labour Department.</p> <p>As advised by the Legal Counsel, if the potential employees' compensation and/or potential personal injury claim proceed, the case will be taken over by the insurance company</p>
13.	The worker alleged that he dropped steel reinforcement bars on his left foot big toe	27 July 2017	Our employee	<p>Employees' compensation claim: 27 July 2019</p> <p>Personal injury claim: 27 July 2020</p>	<p>A Form 2 was filed with the Labour Department and withdrawn by the worker.</p> <p>As advised by the Legal Counsel, if the potential employees' compensation and/or potential personal injury claim proceed, the case will be taken over by the insurance company</p>

## BUSINESS

No.	Nature of incident <i>(Note)</i>	Date of incident <i>(Note)</i>	Capacity of plaintiff(s) <i>(Note)</i>	Limitation period of potential claim(s) against us	Status
14.	The worker alleged that he felt dizzy while working on rebar fixing	5 August 2017	Our employee	<p>Employees' compensation claim: 5 August 2019</p> <p>Personal injury claim: 5 August 2020</p>	<p>A Form 2B was filed with the Labour Department and withdrawn by the worker.</p> <p>As advised by the Legal Counsel, if the potential employees' compensation and/or potential personal injury claim proceed, the case will be taken over by the insurance company</p>
15.	The worker alleged that he slipped causing left elbow contusion during rebar fixing	7 August 2017	Our employee	<p>Employees' compensation claim: 7 August 2019</p> <p>Personal injury claim: 7 August 2020</p>	<p>A Form 2 was filed with the Labour Department and withdrawn by the worker.</p> <p>As advised by the Legal Counsel, if the potential employees' compensation and/or potential personal injury claim proceed, the case will be taken over by the insurance company</p>
16.	The worker alleged that he injured his left wrist while manually lifting a basket with tools	18 August 2017	Our employee	<p>Employees' compensation claim: 18 August 2019</p> <p>Personal injury claim: 18 August 2020</p>	<p>A Form 2B was filed with the Labour Department.</p> <p>As advised by the Legal Counsel, if the potential employees' compensation and/or potential personal injury claim proceed, the case will be taken over by the insurance company</p>

## BUSINESS

No.	Nature of incident <i>(Note)</i>	Date of incident <i>(Note)</i>	Capacity of plaintiff(s) <i>(Note)</i>	Limitation period of potential claim(s) against us	Status
17.	The worker alleged that he slipped and injured his left thigh while manually lifting a blower	24 August 2017	Our employee	Employees' compensation claim: 24 August 2019  Personal injury claim: 24 August 2020	A Form 2B was filed with the Labour Department.  As advised by the Legal Counsel, if the potential employees' compensation and/or potential personal injury claim proceed, the case will be taken over by the insurance company
18.	The worker alleged that he slipped while walking along the access causing shoulder and arm injury	4 September 2017	Our employee	Employees' compensation claim: settled  Personal injury claim: 4 September 2020	A Form 2 was filed with the Labour Department and the case was settled and closed.  As advised by the Legal Counsel, if the potential personal injury claim proceeds, the case will be taken over by the insurance company

*Note:* The abovementioned information is based on the respective Form 2 and Form 2B which has been filed with the Labour Department.

In any event, our Group has insurance coverage for its liabilities of all these accidents which gave rise to the potential employees' compensation claims and personal injuries claims and as at the Latest Practicable Date, notices of the accidents had been given to the insurers. It is expected that the injured persons would be fully covered by the mandatory insurance held by our customers.

Save as disclosed in this prospectus, no other claim, litigation or arbitration of material importance was known to our Directors to be pending or threatened against any member of our Group during the Track Record Period and as at the Latest Practicable Date.

### **Indemnity given by the Controlling Shareholders**

In relation to the aforesaid, our Controlling Shareholders have undertaken to indemnify the Group against all losses and liabilities arising from the above legal proceedings. Please refer to the paragraphs headed "E. Other information — 1. Tax and other indemnities" in Appendix V to this prospectus for further details.

## BUSINESS

### **No other litigation**

Save as disclosed above, as at the Latest Practicable Date, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to the Directors to be pending or threatened against any member of our Group.

## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

### CONTROLLING SHAREHOLDERS OF OUR COMPANY

Immediately following the completion of the Capitalisation Issue and the Share Offer (assuming that no Share is issued pursuant to the exercise of the Adjustment Options and any options which may be granted under the Share Option Scheme), Mr. Li, through Colourfield Global, will be interested in 75% of the issued Shares of our Company. In view of the aforesaid, Mr. Li and Colourfield Global will be our Controlling Shareholders within the meaning of the Listing Rules.

### RULE 8.10 OF THE LISTING RULES

#### Ever Team Construction

Ever Team Construction was incorporated in Hong Kong with limited liability on 28 March 2014. Ever Team Construction was owned as to one share by Mr. Li Wai Fong, our executive Directors and one share by an Independent Third Party for the period from 22 May 2014 to 31 July 2015. On 1 August 2015, two new shares were allotted and issued to Mr. Li and Mr. Li KY, and Mr. Li Wai Fong transferred all his interest in Ever Team Construction to Mr. Li and the Independent Third Party transferred all his interest in Ever Team Construction to Mr. Li KY on 11 January 2016. Mr. Li and Mr. Li KY owned 50% of the issued share capital of Ever Team Construction for the period from 1 August 2015 to 11 January 2016 and 100% thereafter to 8 August 2016. On 9 August 2016, in order to focus in our Group's business on foundation and site formation works, Mr. Li and Mr. Li KY sold all their respective 50% interest in Ever Team Construction to two Independent Third Parties.

Ever Team Construction was one of our site formation and foundation works subcontractors of providing mainly shoring works during the Track Record Period. For each of the three years ended 31 March 2017, the cost of sales paid by our Group to Ever Team Construction was approximately HK\$6.4 million, HK\$2.6 million and HK\$0.3 million respectively, which represented approximately 3.8%, 1.0% and 0.1% of our total purchase during the corresponding year. After the disposal of Ever Team Construction by Mr. Li and Mr. Li KY in August 2016 up to 31 March 2017, we also provided machinery rental services to Ever Team Construction with an aggregate amount of approximately HK\$123,000.

For the three years ended 31 March 2017, our Group had entered into 15, two and three subcontracts with Ever Team Construction for its provision of mainly shoring works. The subcontracts contained similar terms appeared in subcontracts between our Group and other subcontractors.

As confirmed by our Directors, in determining whether the relevant foundation works were to be subcontracted to Ever Team Construction and whether its subcontracting fee was reasonable during the Track Record Period, we had taken into account its ability to complete the relevant works according to schedules and its ability to meet the specification requirements of our customers; considered the quotation from other subcontractors (if available); and made reference to the market information in order to ascertain if the fee charged by Ever Team Construction for the subcontracted works was within the region of the then prevailing market rate.

Since the disposal of Ever Team Construction by Mr. Li and Mr. Li KY in August 2016, none of our Controlling Shareholders and our Directors has any interests in Ever Team Construction. As at the Latest Practicable Date, Ever Team Construction is one of the subcontractors in our approved list of subcontractors and contracts may be entered into in the ordinary course of business of our Group and on

## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

normal commercial terms when business opportunities arise. As at the Latest Practicable Date, Ever Team Construction only involved in one of our Group's projects with an original contract sum of approximately HK\$34,000.

Given that the Controlling Shareholders and our Directors have already disposed of Ever Team Construction in August 2016, they have no competing business. Further, the Controlling Shareholders and our Directors have confirmed that none of them and their respective close associates is interested in any business which competes and is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

### INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors believe that our Group is capable of carrying on our Group's business independently from the Controlling Shareholders and their close associates after the Share Offer and the Capitalisation Issue.

#### Management independence

Our Company aims to establish and maintain a competent and independent Board to supervise our Group's business. The main functions of the Board include (i) approving the overall business plans and strategies of our Group; (ii) monitoring the implementation of the aforesaid policies and strategies; and (iii) managing the operation of our Group.

The Board comprises four executive Directors, and three independent non-executive Directors. Although Mr. Li, being the ultimate Controlling Shareholder, also holds directorship in our Company, the Board and senior management will function independently from the Controlling Shareholders because:

- (a) each Director is aware of his fiduciary duties as a Director which require, amongst other things, that he acts for the benefit and in the best interest of our Company and does not allow any conflict between his duties as a Director and his personal interests;
- (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 declare such interests to the Board and abstain from voting at the relevant Board meetings in respect of such transactions, and shall not be counted in forming quorum;
- (c) our three independent non-executive Directors have sufficient and competent knowledge and experience, and will bring independent judgment to the decision-making process of the Board; and
- (d) all our senior management members are independent from our Controlling Shareholders. They have served our Group for a sufficient length of time during which they have demonstrated their capability of discharging their duties independently from our Controlling Shareholders.

Based on the above, our Directors are of the view that the Board is capable of managing our Group's business independently from the Controlling Shareholders.

## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

### **Operational independence**

Our Group has established its own organisational structure comprising of individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources, such as suppliers, customers and general administration resources, with our Controlling Shareholders and/or their respective close associates. Save for Ever Team Construction as disclosed in this section of the prospectus, the customers and suppliers of our Group are all independent from the Controlling Shareholders and our Group does not rely on the Controlling Shareholders or their respective close associates and has independent access to customers and suppliers.

As at the Latest Practicable Date, there were no business transactions between our Group and any of the Controlling Shareholders.

Based on the above, our Directors are of the view that our Group is independent of the Controlling Shareholders in terms of business operations.

### **Financial independence**

Our Group has its own financial management and accounting systems, accountant and administration department and independent treasury functions, and it makes financial decision according to its own business needs.

During the Track Record Period, our Group had certain amounts due to Mr. Li. The amounts due to Mr. Li were caused by the advancements made by Mr. Li to our Group from time to time as its working capital for business operation. Such amounts have been subsequently settled before 31 July 2017. For details of the amounts due to Mr. Li, please refer to note 23 to the Accountants' Report set out in Appendix I to this prospectus.

During the Track Record Period and up to the Latest Practicable Date, Mr. Li has also provided personal guarantees for the finance lease arrangements of the construction equipment owned by our Group. The banks have agreed in principle that the above personal guarantees will be released and replaced by the corporate guarantees executed by our Company upon the Listing. Save as disclosed above, our Directors are of the view that our Group is not financially dependent on the Controlling Shareholders or their respective close associates in our Group's business operations and our Group is able to obtain external financing on market terms and conditions for its business operations as and when required without reliance on the Controlling Shareholders after Listing.

Having considered the above factors, our Directors consider that our Group has no financial dependence on the Controlling Shareholders.

### **NON-COMPETE UNDERTAKINGS**

The Controlling Shareholders as covenantors (each of them, a "**Covenantor**" and collectively, the "**Covenantors**") executed the Deed of Non-competition in favour of our Company (for itself and as trustee for and on behalf of its subsidiaries).

## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

In accordance with the Deed of Non-competition, each Covenantor undertakes that, from the Listing Date and ending on the occurrence of the earliest of (i) the date on which the Shares cease to be listed on the Stock Exchange; or (ii) the date on which that Covenantor and his/its close associates (individually or taken as a whole) cease to be a Controlling Shareholder:

### 1. Non-competition

Each Covenantor jointly and severally and irrevocably undertakes and covenants to our Company (for itself and as trustee for and on behalf of its subsidiaries) that each of them will not, and will procure that its/his close associates (except any members of our Group) will not, either on his/its own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly, amongst other things, carry on, participate or be interested or engaged in or acquire or hold any right or interest (in each case whether as an investor, a shareholder, principal, partner, director, employee, consultant, agent or otherwise and whether for profit, reward, interest or otherwise), or otherwise be involved in any business which is or may be in competition, whether directly or indirectly, with the business carried on by any member of our Group (including but not limited to the provision of (i) foundation and site formation works; and (ii) construction machinery rental services) or contemplated to be carried on by any member of our Group, in Hong Kong or any other jurisdiction where our Group has conducted business as at the date of the Deed of Non-competition or may conduct business from time to time in the future (“**Restricted Business**”).

### 2. New business opportunity

Each of the Covenantors hereby represents and warrants that neither it/he nor any of its/his close associates currently carries out, participates in or is interested or engaging in, invests in, acquires or holds, directly or indirectly (in each case whether as a shareholder, director, partner, agent or otherwise and whether for profit, reward, interest or otherwise) or otherwise is involved in the Restricted Business other than through our Group.

Each of the Covenantors further undertakes to refer to our Company within 10 days any and all new opportunities in connection with the Restricted Business (“**New Business Opportunity**”) which are identified by or made available to any of them.

Notwithstanding the aforesaid, the Deed of Non-competition does not apply where:

1. any opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business that has first been offered or made available to our Group by written notice, and that the offer, in the form of written notice, should contain all information reasonably necessary for our Group to consider whether (i) such opportunity would constitute competition with any Restricted Business and (ii) it is in the interest of our Group and the shareholders of our Company as a whole to pursue such opportunity, and our Company has, after review by the independent non-executive Directors, declined such opportunity to invest, participate, be engaged in or operate the Restricted Business either alone or with such third party or together with the Covenantor and/or its/his close associate(s), provided that the principal terms by which that Covenantor (or its/his close associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favourable than those disclosed to the Company. A Covenantor may only engage in the New Business Opportunity if (i) a

## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

notice is received by the Covenantor from our Company confirming that the New Business Opportunity is not accepted or does not constitute competition with the Restricted Business (the “**Non-acceptance Notice**”); or (ii) the Non-acceptance Notice is not received by the Covenantor within 30 days after the proposal of the New Business Opportunity is received by our Company, or such longer period of time, not longer than 180 days to be specified by our Company by notice in writing to the Covenantors, where our Company’s acceptance of the New Business Opportunity is subject to the approval from the Stock Exchange or the independent shareholders of our Company or governmental or regulatory authorities;

2. each Covenantor having interests in the shares or other securities in a company whose shares are listed on a recognised stock exchange provided that:
  - (a) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of the relevant company’s consolidated turnover or consolidated assets, as shown in that company’s latest audited accounts; or
  - (b) the total number of the shares held by the Covenantors and/or their respective close associates or in which they are together interested does not exceed 5% of the issued shares of that class of the company in question (the “**Relevant Company**”), provided that (i) the total number of the relevant Covenantors’ representatives on the board of directors of the Relevant Company is not significantly disproportionate with respect to his shareholdings in the Relevant Company; and (ii) at all times there is a holder of such shareholding (together, where appropriate, with its close associates) a larger percentage of the shares in question than the Covenantors and their respective close associates together hold.

### 3. Corporate governance measures

In order to ensure the performance of the above non-competition undertakings, the Covenantors will:

- (a) as required by our Company, provide all information which is necessary for the independent non-executive Directors to conduct annual examination with regard to the compliance of the terms of the Deed of Non-competition and the enforcement of it;
- (b) the Controlling Shareholders undertake to provide promptly all information requested by our Company which is necessary for the annual examination by the independent non-executive Directors and the enforcement of the Deed of Non-competition;
- (c) wherever the Board needs to consider and make any decision on whether to accept any New Business Opportunity or any other matters in relation to the Deed of Non-competition, each of the Covenantors who is a Director and has a material interest in such matters shall abstain from voting on the relevant resolution(s) and shall also not be counted in the quorum; and

## RELATIONSHIP WITH THE CONTROLLING SHAREHOLDERS

- (d) that during the period when the Deed of Non-competition is in force, fully and effectually indemnify the Company against any losses, liabilities, damages, costs, fees and expenses as a result of any breach on the part of such Covenantor of any statement, warrant or undertaking made under the Deed of Non-competition.

In addition to the above, the Company will also adopt the following corporate governance measures:

- (a) disclose to the public either in the annual report of the Company or issue a public announcement in relation to any decisions made by the independent non-executive Directors with regard to the compliance of the terms of the Deed of Non-competition and the enforcement of it; and
- (b) where the independent non-executive Directors shall deem fit, make a declaration in relation to the compliance of the terms of the Deed of Non-competition in the annual report of the Company, and ensure that the disclosure of information relating to compliance with the terms of the Deed of Non-competition and the enforcement of it are in accordance with the requirements of the Listing Rules.

The Deed of Non-competition and the rights and obligations thereunder are conditional upon (a) the Listing Committee granting the listing of, and the permission to deal in, the Shares, as described in this prospectus, and (b) the Listing and dealings in the Shares on the Stock Exchange taking place.

As the Covenantors have given non-competition undertakings in favour of the Company (for itself as trustee for and on behalf of its subsidiaries), and none of them have interests in other businesses that compete or are likely to compete with the business of our Group, our Directors are of the view that they are capable of carrying on the Group's business independently of the Covenantors following the Listing.

## DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

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

Name	Age	Present position(s) in our Company	Date of appointment as Director of our Company	Date of joining our Group	Brief description of roles and responsibilities	Relationship with other Director(s) and/or senior management
<b>Executive Directors</b>						
Mr. LI Cheuk Kam (李灼金)	50	Chairman of the Board, chief executive officer and executive Director	13 March 2017	11 October 2007	Responsible for overall business development strategy and overseeing day-to-day management of site operations of our Group	Father of Mr. Li KY and brother of Mr. Li Wai Fong
Mr. LI Kun Yee (李灌宜)	26	Executive Director	25 May 2017	28 November 2014	Responsible for overall business development strategy and overseeing day-to-day management of site operations of our Group	Son of Mr. Li and nephew of Mr. Li Wai Fong
Mr. LI Wai Fong (李偉芳)	42	Executive Director	25 May 2017	3 May 2014	Responsible for overseeing the administration matters of our Group	Brother of Mr. Li and uncle of Mr. Li KY
Mr. LIAUW Hung (廖鴻)	38	Executive Director	25 May 2017	2 June 2014 Rejoined on 1 December 2016	Responsible for overseeing the project operations and technical aspects of various projects of our Group	N/A

## DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Present position(s) in our Company	Date of appointment as Director of our Company	Date of joining our Group	Brief description of roles and responsibilities	Relationship with other Director(s) and/or senior management
<b>Independent non-executive Directors</b>						
Mr. WONG Chik Kong (黃植剛)	44	Independent non-executive Director	21 September 2017	21 September 2017	Responsible for providing independent advice to the Board	N/A
Mr. CHAN Chung Kik Lewis (陳仲戟)	44	Independent non-executive Director	21 September 2017	21 September 2017	Responsible for providing independent advice to the Board	N/A
Mr. Lee Kwok Lun (李國麟)	33	Independent non-executive Director	21 September 2017	21 September 2017	Responsible for providing independent advice to the Board	N/A

### Executive Directors

**Mr. LI Cheuk Kam (李灼金)**, aged 50, is our chairman of the Board, chief executive officer and executive Director. He is also a chairman of the Nomination Committee and a member of the Remuneration Committee of the Company. Mr. Li is one of our Controlling Shareholders. Mr. Li is the founder of our Group and is primarily responsible for overall business development strategy and overseeing day-to-day management of site operations of our Group. He is also the director of Infinite Merit, Novel Sign, Harvest Year, Glory Ease, Billion Talent, Lik Shing Engineering, Lik Shing Construction Engineering and Crystal Future.

Mr. Li has over 30 years of experience in the construction industry in Hong Kong. Prior to founding our Group, Mr. Li worked for various construction companies in Hong Kong in numerous positions from 1985 to 2001. He worked as a mechanic apprentice and foreman at the beginning, and was subsequently promoted to site supervisor where he gained exposure to construction machinery and site operations. In December 2001, he commenced his own business through a sole proprietorship under the name of Lik Shing Engineering Co. established by himself which mainly involved in subcontracting services of small-scale construction works and the rental of machinery for construction works in Hong Kong. In October 2007, Mr. Li set up Lik Shing Engineering and engaged in subcontracting services of construction works in larger scale. He has been handling our Group's business development and operations since then. In 2008, Lik Shing Engineering expanded further and engaged in foundation and site formation works. Mr. Li has completed the Technically Competent Person T1 Training Course in 2001 and the Technically Competent Person T2 Training Course in 2002, and is awarded the Technically Competent Person T1 Certificate and the Technically Competent Person T2 Certificate in December 2001 and in May 2002 respectively.

Mr. Li is the father of Mr. Li KY, our executive Director, and the brother of Mr. Li Wai Fong, our executive Director.

## DIRECTORS AND SENIOR MANAGEMENT

A defunct, solvent private company which meets the statutory requirements may be dissolved by way of a summary procedure called deregistration under section 750 of the Companies Ordinance. Mr. Li had been the director of Unison Construction Limited (百川建設有限公司) until his resignation on 16 December 2016. Unison Construction Limited was incorporated in Hong Kong and was deregistered on 25 August 2017 after Mr. Li's ceasing to act as one of its directors. The relevant details are as follows:

Company name	Nature of business	Date of submission of application for deregistration	Date of deregistration
Unison Construction Limited (百川建設有限公司)	Never commenced business	23 February 2017	25 August 2017

Mr. Li has confirmed, to the best of his knowledge, that Unison Construction Limited was solvent at the time of its application for deregistration.

**Mr. LI Kun Yee (李灌宜)**, aged 26, was appointed as an executive Director on 25 May 2017 and is primarily responsible for overall management and overseeing and monitoring of projects of our Group. He is also a director of Lik Shing Construction Engineering.

Mr. Li KY completed his secondary education in Canada in May 2010. Also, Mr. Li KY completed the 43-hour Construction Safety Supervisor course in June 2015. Mr. Li KY joined our Group and worked as a foreman in November 2014. He was promoted to a site supervisor in May 2015 and further promoted to an assistant general manager in January 2017.

Mr. Li KY is the son of Mr. Li, our chairman of the Board, chief executive officer and executive Director and the nephew of Mr. Li Wai Fong, our executive Director.

**Mr. LI Wai Fong (李偉芳)**, aged 42, was appointed as an executive Director on 25 May 2017. He joined our Group as the administration manager in May 2014 and is primarily responsible for overseeing the administration matters of our Group.

Mr. Li Wai Fong obtained a bachelor of engineering majoring in Automation in June 1999. Also, he has completed the 98-hour Technically Competent Person T1 Training Course and is awarded the Technically Competent Person T1 Certificate in August 2016 by the Construction Industry Council.

Prior to joining our Group, Mr. Li Wai Fong worked as an assistant to sales director in Shenzhen Hercules Logistics Company Limited from October 1999 to September 2003. From October 2003 to July 2006, he was employed by Shenzhen Talent & Seaveer Logistics Company Limited as a marketing manager. From May 2007 to April 2014, he joined Shenzhen Eurostar International Forwarding Company Limited as a general manager where his duties include supervising and managing day to day operation.

Mr. Li Wai Fong is the brother of Mr. Li, our chairman of the Board, chief executive officer and executive Director and the uncle of Mr. Li KY, our executive Director.

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Li Wai Fong did not hold any directorship in other listed companies in the past three years and does not hold any other position with the Company or any of its subsidiaries.

**Mr. LIAUW Hung (廖鴻)**, aged 38, was appointed as an executive Director on 25 May 2017. He is primarily responsible for overseeing the project operations and technical aspects of various projects of our Group. Mr. Liauw first joined our Group in June 2014 as a senior project manager till February 2016. He rejoined our Group as a general manager in December 2016.

Mr. Liauw obtained the bachelor of civil engineering from the University of Hong Kong in November 2001. He has been elected as a member and chartered professional engineer of Engineers Australia in the Civil College in May 2005. He has also been a member of Institution of Civil Engineers in the United Kingdom since October 2005 and registered by the Engineering Council UK as a chartered engineer since January 2006. Mr. Liauw has been admitted as a member of the Hong Kong Institution of Engineers in November 2010. He is currently registered as a registered professional engineer in Hong Kong.

Mr. Liauw has over 15 years of experience in the construction industry. He worked as a graduate engineer in Maunsell Structural Consultants Limited from September 2001 to December 2002. Then he was employed by China Harbour Engineering Company as an engineer from December 2002 to July 2004. From July 2004 to February 2008, he served as a site agent in Peare Line Engineering Limited. From March 2008 to May 2009, he worked as a sub agent in Leighton-China States-John Holland Joint Venture. For the period from July 2009 to March 2010, Mr. Liauw was employed as an assistant construction manager in China Harbour Engineering Company Limited. He then worked in MTR Corporation Limited as a construction engineer I-civil from March 2010 to May 2013. From May 2013 to May 2014, he joined Laing O'Rourke Construction Hong Kong Limited where he last served as a construction manager. For the period from March 2016 to November 2016, Mr. Liauw was employed by Continental Engineering Company Limited as an assistant project manager/construction manager.

A defunct, solvent company which meets the statutory requirements may be dissolved by way of a summary procedure called deregistration under section 750 of the Companies Ordinance. Mr. Liauw is the director of the following company which was incorporated in Hong Kong and was deregistered on 25 August 2017 and the relevant details are as follows:

<b>Company name</b>	<b>Nature of business</b>	<b>Date of submission of application for deregistration</b>	<b>Date of deregistration</b>
Unison Construction Limited (百川建設有限公司)	Never commenced business	23 February 2017	25 August 2017

Mr. Liauw has confirmed that the above deregistration was voluntary by way of submitting an application to the Companies Registry of Hong Kong and Unison Construction Limited was solvent at the time of its application for deregistration.

## DIRECTORS AND SENIOR MANAGEMENT

### Independent non-executive Directors

**Mr. WONG Chik Kong (黃植剛)**, aged 44, was appointed as our independent non-executive Director on 21 September 2017. He is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee.

Mr. Wong obtained a higher diploma in architectural studies from City University of Hong Kong in November 1995.

Mr. Wong has over 20 years of experience in the construction industry. From September 1995 to June 1996, Mr. Wong worked as an architectural assistant in John Lee Architects and Associates Limited. From June 1996 to August 2004, Mr. Wong was employed by ELE Construction Company Limited as an assistant project manager where he was primarily responsible for project planning, cost control, supervision and co-ordination with consultants and sub-contractor for demolition, slope remedial, foundation and building projects. From September 2004 to July 2005, Mr. Wong worked as a quantity surveyor and engineer in Wise Trend Engineering Limited. From August 2005 to February 2006, Mr. Wong worked as an assistant project manager in New Hall Interior Company. From March 2006 to November 2006, Mr. Wong worked as a quantity surveyor and engineer in Wise Trend Engineering Limited and was then transferred to Wise Trend Construction & Engineering Limited as an assistant project manager and quantity surveyor in December 2006. Mr. Wong subsequently joined AVT Design Contracting Limited in September 2011 as a project director. He has been working for the company since then. Also, Mr. Wong has been a director of AVT Engineering Limited since November 2015 where he was primarily responsible for project management, cost control and supervision.

**Mr. CHAN Chung Kik Lewis (陳仲戟)**, aged 44, was appointed as our independent non-executive Director on 21 September 2017. He is the chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee.

Mr. Chan obtained a bachelor degree of commerce in accounting from the University of Canberra in Australia in September 1997. He is currently a fellow of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia.

Mr. Chan has more than 20 years of experience in auditing, accounting and corporate finance. From May 1997 to February 2001, Mr. Chan held various positions in Grant Thornton, an accounting firm, where he last served as audit supervising senior and was primarily responsible for providing auditing services. From February 2001 to February 2005, he held various positions at Ernst & Young, an accounting firm, where he last served as manager and was primarily responsible for audit of listed and non-listed companies in Hong Kong and China. From March 2005 to March 2006, he served as a group finance manager of Tianjin Development Holdings Limited, a company which is listed on the Main Board (Stock Code: 882). From August 2006 to May 2007, Mr. Chan served as the financial controller and company secretary of Tianjin Lishen Battery Joint-Stock Co., Ltd. (天津力神電池股份有限公司). From July 2007 and February 2015, Mr. Chan served as the chief financial officer of Xingye Copper International Group Limited, a company listed on the Main Board (Stock Code: 505), where he was responsible for the overall financial management functions of the group. From July 2007 to May 2008 and from June 2009 to May 2015, Mr. Chan also served as the company secretary of the same company. Since May 2015, Mr. Chan has served as the chief financial officer and the joint company secretaries of Denox Environmental & Technology Holdings Limited, a company listed on the Main Board (Stock Code: 1452).

## DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan has also been the independent non-executive director of (i) Kwan On Holdings Limited between March 2015 and September 2016, a company which was previously listed on GEM (Stock Code: 8305) and was subsequently transferred to the Main Board (Stock Code: 1559) on 15 August 2016; (ii) Shandong Xinhua Pharmaceutical Company Limited, a company listed on the Main Board (Stock Code: 719) and the Shenzhen Stock Exchange (Stock Code: 000756) since May 2014; (iii) Hong Guang Lighting Holdings Company Limited, a company listed on GEM (Stock Code: 8343) since December 2016; (iv) Founder Holdings Limited, a company listed on the Main Board (Stock Code: 418) since March 2017; and (v) Peking University Resources (Holdings) Company Limited, a company listed on the Main Board (Stock Code: 618) since March 2017.

**Mr. LEE Kwok Lun (李國麟)**, aged 33, was appointed as our independent non-executive Director on 21 September 2017. He is a member of each of the Audit Committee, Remuneration Committee and Nomination Committee.

Mr. Lee graduated from the University of Hertfordshire with a bachelor of arts degree in accounting in September 2006. He has been admitted a member of the Association of Chartered Certified Accountants in January 2013. Mr. Lee has been a member of the Hong Kong Institute of Certified Public Accountants since September 2013. In May 2015, Mr. Lee was admitted as practising member of the Hong Kong Institute of Certified Public Accountants.

Mr. Lee has more than 10 years of experience in auditing and accounting. From September 2006 to February 2008, Mr. Lee held various positions in Y.K. Tsang & Co., an accounting firm, where he last served as an audit intermediate. Mr. Lee subsequently joined Chan and Chan Certified Public Accountants in March 2008 as an intermediate audit clerk. Prior to his departure in August 2009, he was working in the capacity of a semi-senior. From September 2009 to January 2014, Mr. Lee held various position in SHINEWING (HK) CPA Limited, where he last served as an assistant manager. From January 2014 to October 2014 was employed by BDO Limited as a manager in the assurance department. From November 2014 to April 2015, Mr. Lee was employed by KPMG as a manager. After leaving KPMG, Mr. Lee co-founded Prism CPA Limited in December 2015 and served as its director since then. In April 2015, Mr. Lee joined Tianyi (Summi) Holdings Limited, a company listed on the Main Board (Stock Code: 756) as the company secretary and has been appointed as the chief financial officer in May 2017.

### **Other disclosure pursuant to Rule 13.51(2) of the Listing Rules**

Mr. Li, our chairman, chief executive officer and executive Director, was appointed as the legal representative, executive director and manager of Huatehui Technology (Shenzhen) Company Limited (華特輝科技(深圳)有限公司) (“**Huatehui**”), a foreign-invested enterprise established in the PRC which obtained a permit for operations with business scope covering for technology development of electronic products (excluding the limited and prohibited item by the country) and transfer to self-developed technological achievement, on 8 August 2008.

Huatehui was considered as an abnormal taxpayer by Shenzhen State Taxation Bureau on 30 April 2009 and remained as an abnormal taxpayer for more than three months. Its tax registration certificate was declared invalid by Shenzhen State Taxation Bureau as Huatehui was remained as an abnormal taxpayer more than three months.

## DIRECTORS AND SENIOR MANAGEMENT

Also, Huatehui did not attend to annual examination for the year of 2008 in accordance with Article 60 of the Regulations of the People's Republic of China on Administration of Registration of Companies (中華人民共和國公司登記管理條例), and its business licence was subsequently revoked on 31 December 2010 (the “**Revocation Incident**”).

According to Article 147 of the Company Law of PRC (revised in 2005)(中華人民共和國公司法(2005修訂)), which was effective when the business licence of Huatehui was revoked, a legal representative of a company or enterprise whose (i) business licence has been revoked; and (ii) is personally liable for such revocation, should not be appointed as a director, supervisor or member of senior management of a company or enterprise in the PRC for a period of three years from the date of revocation of the business licence (“**Three-year Prohibition**”). According to the “Reply of the State Administration of Industry and Commerce on the Issue of Whether the Legal Representative of An Enterprise Shall Bear Personal Liability” (國家工商行政管理總局關於企業法定代表人是否負有個人責任問題的答覆) issued by the State Administration for Industry & Commerce on 7 June 2002, which had remained effective when the business licence of Huatehui was revoked until its abolishment on 14 July 2014 (the “**Reply**”), the legal representative of the enterprise, as the responsible person to exercise the powers on behalf of the enterprise, shall bear the individual liability due to his failure to perform the legal duties, unless the legal representative is unable to perform the duties normally during the annual examination. According to the Reply, the relevant industrial and commercial administrative department might hold Mr. Li personally liable for the Revocation Incident. Our PRC Legal Adviser opined that even if the relevant industrial and commercial administrative department holds Mr. Li personally liable for the Revocation Incident, he will only be subject to the Three-year Prohibition from 31 December 2010 to 31 December 2013. Our PRC Legal Advisers further opined that the existing law of the PRC does not require Mr. Li to bear other legal liabilities (including administrative liability and criminal liability) for the Revocation Incident. Therefore, Mr. Li should not be subject to any administrative penalty and criminal penalty in respect of the Revocation Incident.

Also, if the relevant industrial and commercial administrative department holds Mr. Li personally liable for the Revocation Incident, according to Article 147 of the Company Law of PRC (revised in 2005), Huatehui should remove Mr. Li from his appointment as its executive director and manager. According to the business registration records of Huatehui, there is no record that Mr. Li has been removed from his appointment as the executive director and manager. Our PRC Legal Advisers opined that as the existing law of the PRC does not require Mr. Li to bear any legal liability (including administrative liability and criminal liability) for Huatehui's failure to remove him as the executive director and manager, Mr. Li should not be subject to any administrative penalty and criminal penalty.

During the Three-year Prohibition, Mr. Li was appointed as the general manager and executive director of Gordon Clothing Design (Shenzhen) Company Limited (哥登服裝設計(深圳)有限公司) (“**Gordon Clothing**”) between 18 December 2012 to 19 June 2014 (the “**Appointment**”). Our PRC Legal Advisers opined that if Mr. Li was held personally liable for the Revocation Incident, the appointment of Mr. Li as the general manager and the executive director of Gordon Clothing for the period from 18 December 2012 to 31 December 2013 should be invalid. As the existing law of the PRC does not require Mr. Li to bear other legal liabilities (including administrative liability and criminal liability) for such appointment, Mr. Li should not be subject to any administrative penalty and criminal penalty for the Appointment.

## DIRECTORS AND SENIOR MANAGEMENT

Further, the existing law of the PRC does not require Mr. Li to bear other legal liabilities (including administrative liability and criminal liability) for Huatehui's being considered as an abnormal taxpayer. Therefore, our PRC Legal Advisers opined that Mr. Li should not be subject to any administrative penalty and criminal penalty for being considered as an abnormal taxpayer.

Mr. Li confirmed that the Huatehui is solvent when its business licence was revoked. Mr. Li also confirmed that, save for the Three-year Prohibition and as disclosed above, the Revocation Incident did not result in any restriction, responsibility or penalty imposed against him. Since (i) Mr. Li did not hold positions of legal representative, director, supervisor or member of senior management in any other PRC companies whose business license has been revoked; (ii) the Three-year Prohibition period has lapsed; (iii) there has been no recurrence of similar incidents since 1 January 2011, and (iv) the Revocation Incident did not involve any dishonesty on the part of Mr. Li nor impugn on his integrity or competence, our Board is of the view, and the Sole Sponsor concurs, that the suitability of Mr. Li to act as a director of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules is not affected by the Revocation Incident. Our PRC Legal Advisers are not aware of any restrictive or prohibition provisions under the relevant PRC laws and regulations which stipulates any restriction on Mr. Li from being appointed as a director of a Hong Kong listed company because of Huatehui's being considered as an abnormal taxpayer, the Revocation Incident and the Appointment.

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as at the Latest Practicable Date; and (iii) did not hold any other directorships in listed public companies in the three years prior to the date of this prospectus. Immediately following completion of the Capitalisation Issue and the Share Offer, save as the interests in the Shares which are disclosed in the "Substantial Shareholders" in this prospectus, each of our Directors will not have any interest in the Shares within the meaning of Part XV of the SFO.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there were no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2) of the Listing Rules as at the Latest Practicable Date.

### SENIOR MANAGEMENT

**Mr. LIU Dahong (劉大洪)**, aged 53, is our quantity survey manager. He joined our Group as a quantity surveyor in May 2014 and promoted to the current position in March 2016. He is primarily responsible for providing quantity surveying services to our Group.

Mr. Liu has over 25 years of experience in construction industry. He joined China Southwest Geotechnical Investigation & Design Institute Co., Ltd as an assistant survey engineer in July 1984 and left the company as a survey engineer in April 1991. Then, Mr. Liu joined China State Construction Engineering (Hong Kong) Limited in April 1991 as the chief surveyor and left as a deputy site manager in October 2007.

Mr. Liu has obtained the bachelor degree in engineering survey from the Nanjing Construction Engineering Institute (currently known as Nanjing Tech University) in July 1984.

## DIRECTORS AND SENIOR MANAGEMENT

**Ms. LI Mei Wai (李美慧)**, aged 30, is our financial controller and company secretary. She joined our Group in January 2017, primarily responsible for financial planning, internal control, financial reporting and corporate secretarial practices of our Group.

Ms. Li obtained her degree of bachelor of commerce (honours) in accountancy from Hong Kong Baptist University in November 2010. She has been a member of the Hong Kong Institute of Certified Public Accountants since March 2014. In March 2016, Ms. Li was admitted as practising member of the Hong Kong Institute of Certified Public Accountants.

Prior to joining our Group, Ms. Li served a number of auditing positions in SHINEWING (HK) CPA Limited, an accounting firm, from October 2010 to October 2013. Subsequently, she worked as a senior associate in PricewaterhouseCoopers Ltd. from November 2013 to July 2015. From July 2015 to December 2016, Ms. Li was an assistant accounting manager at Melco International Development Limited (Stock Code: 200), a company listed on the Main Board of the Stock Exchange.

### COMPANY SECRETARY

Ms. Li Mei Wai is the company secretary of our Group. Please refer to “Directors and Senior Management — Senior management” in this prospectus for her qualifications and experience.

### COMPLIANCE ADVISER

In accordance with Rule 3A.19 of the Listing Rules, we have appointed Dakin Capital as our compliance adviser. We have entered into a compliance adviser’s agreement with the compliance adviser prior to the Listing Date, the material terms of which are as follows:

- the term of appointment of the compliance adviser will commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date (i.e. the date of despatch of the annual reports of our Company in respect of our results for the financial year ending 31 March 2019), or until the agreement is terminated, whichever is earlier;
- the compliance adviser will provide us with certain services, including guidance and advice as to compliance with the requirements under the Listing Rules and applicable laws, rules, codes and guidelines and advice on the continuing requirements under the Listing Rules and applicable laws and regulations;
- our Company will consult with and, if necessary, seek advice from Dakin Capital as our compliance adviser in the following circumstances:
  - (a) before the publication of any regulator announcement, circular or financial report;
  - (b) where a transaction which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

## DIRECTORS AND SENIOR MANAGEMENT

(c) where our Company intends 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 deviates from any forecast, estimate or other information in this prospectus; and

(d) where the Stock Exchange makes any enquiry to our Company under Rule 13.10 of the Listing Rules; and

— the compliance adviser will serve as a channel of communication with the Stock Exchange.

### **BOARD COMMITTEES**

#### **Audit Committee**

Our Company established an audit committee on 21 September 2017 with its written terms of reference in compliance with the Listing Rules. The primary duties of the Audit Committee are to review and supervise our Group's financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance.

The Audit Committee of our Company consists of three members, being Mr. Wong Chik Kong, Mr. Chan Chung Kik Lewis and Mr. Lee Kwok Lun, of which Mr. Chan Chung Kik Lewis currently serves as the chairman.

#### **Remuneration Committee**

Our Company established a remuneration committee on 21 September 2017 with its written terms of reference in compliance with the Listing Rules. The primary duties of the remuneration committee are to make recommendations on the remuneration of our Company's senior management and members of the Board.

The remuneration committee of our Company consists of four members, being Mr. Li, Mr. Wong Chik Kong, Mr. Chan Chung Kik Lewis and Mr. Lee Kwok Lun, of which Mr. Wong Chik Kong currently serves as the chairman.

#### **Nomination Committee**

Our Company established a nomination committee on 21 September 2017 with its written terms of reference by reference to the provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to the Board regarding candidates to fill vacancies on the Board and/or in senior management.

The nomination committee of our Company consists of four members, being Mr. Li, Mr. Wong Chik Kong, Mr. Chan Chung Kik Lewis and Mr. Lee Kwok Lun, of which Mr. Li currently serves as the chairman.

## DIRECTORS AND SENIOR MANAGEMENT

### REMUNERATION OF OUR DIRECTORS AND SENIOR MANAGEMENT

For each of the three years ended 31 March 2017, the aggregate remuneration, including fees, salaries, contributions to pension schemes, other allowances, other benefits in kind and/or discretionary bonuses, paid to our Directors was approximately HK\$0.6 million, HK\$0.6 million and HK\$0.7 million, respectively.

While there is no general criterion for determining directors' remunerations and thus, different companies would have different directors' remuneration policy. We take the view that the remuneration paid to Mr. Li, being the sole director of the Group during the Track Record Period, in the sum of HK\$0.6 million, HK\$0.6 million and HK\$0.7 million, respectively was reasonable after taking into account the prevailing market rate of directors' remuneration in private companies, responsibilities, workload and time devoted by Mr. Li to our Group; and making reference to the remuneration of the directors of other construction companies during their respective track record periods before listing. As such, we take the view that the remuneration paid to Mr. Li during the Track Record Period was in line with the prevailing market rate.

The aggregate remuneration including fees, salaries, contribution to pension schemes, other allowances, other benefits in kind and/or discretionary bonuses, paid to our Company's five highest paid individuals (excluding our Director amongst the five highest paid individuals) for each of the three years ended 31 March 2017 were approximately HK\$2.9 million, HK\$3.7 million and HK\$2.5 million, respectively.

The aggregate remuneration paid to our five highest paid individuals had fallen in the year ended 31 March 2017 because of the departure of the three highest paid individuals in the second quarter each of 2016, including two site supervisors with an annual remuneration of approximately HK\$0.9 million each and a senior project manager with an annual remuneration of approximately HK\$0.7 million (collectively, the "**Departed Staff**"). As confirmed by our Directors, we recruited these two departed site supervisors soon before the respective commencement date of two government projects, namely, Phase 2 of Shek Mun Estate (20140186) and Sheung Shui Choi Yuen Road (20130883). Both of these two departed site supervisors possessed the relevant experience in handling foundation works of the Hong Kong Housing Authority and they left our Group after completion of these two government projects. As these two government projects could be carried out and completed within our time frame, we paid special bonus in the sum of approximately HK\$0.5 million to each of them on top of their salaries for the year ended 31 March 2016 and thus, their annual remuneration increased to HK\$0.9 million each in 2016. After their departure, the site supervisor with an annual remuneration of approximately HK\$0.6 million became the highest paid individual in 2017 though he was the 4th highest paid individual in 2016.

These Departed Staff resigned from the positions out of their own volition. As at the time the two site supervisors left our Group, our Group had already completed these two government projects in which they were actively involved, their departure therefore did not cause any adverse effect to the operation of our Group.

## DIRECTORS AND SENIOR MANAGEMENT

Furthermore, our Group took time to recruit new staff to take up the duties of the Departed Staff. As the new staff only reported duty to our Group during the second half of the financial year ended 31 March 2017, the aggregate remuneration paid to them did not result in their being the five highest paid individuals for the year ended 31 March 2017. We set out below the particulars of the new staff:

Position	Annual Salaries (HK\$'000)	Qualification	Month of reporting duty
Site supervisor	480	Registered construction worker with over 20 years' experience in construction industry	October 2016
Site supervisor	504	Holder of certificate of civil engineering granted by Institute of Vocational Education, holder of excavator operator licence and certificate of safety supervisor and technical competent person I (TCPI)	November 2016
Senior project manager	1,000	Holder of bachelor degree of engineering	February 2017
General manager/ Executive Director	1,000	Chartered professional engineers of Engineers Australia; Member of Institution of Civil Engineers in the United Kingdom and Chartered Engineer in Engineering Council in United Kingdom; member of the Hong Kong Institution of Engineers; and Registered Professional Engineer in Hong Kong.	December 2016

During the Track Record Period, no emoluments were paid by our Group to our Directors or the above highest paid individuals as an inducement to join or upon joining our Group or as compensation for loss of office as a director or management of any members of our Group. Save as disclosed above, no other payments have been made or are payable in respect of each of the three years ended 31 March 2017 by our Group to our Directors.

Under the arrangements currently proposed, conditional upon the Listing, the aggregate annual remuneration (excluding payment of any discretionary benefits or bonuses or other fringe benefits) payable by our Group to our Directors for the year ending 31 March 2018 is estimated to be approximately HK\$1.4 million.

### COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Our Company's corporate governance practices are based on principles and code provisions as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules. Except for the deviation from code provision A.2.1 of the Corporate Governance Code, our Company's corporate governance practices have complied with the code on corporate governance practices.

## **DIRECTORS AND SENIOR MANAGEMENT**

Pursuant to code provision A.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Li is the chairman of our Board and the chief executive officer of our Company. In view of Mr. Li is the founder of our Group and has been operating and managing our Group since the establishment of our Group, our Board believes that it is in the best interest of our Group to have Mr. Li taking up both roles for effective management and business development. Therefore, our Directors consider that the deviation from the code provision A.2.1 of the Corporate Governance Code is appropriate in such circumstance.

### **STAFF**

Please refer to the section headed “Business — Our employees” of this prospectus for details relating to the number of staff, staff benefits, training and recruitment policy of our Group.

### **DIRECTORS’ COMPETING INTERESTS**

Save as disclosed in “Relationship with the Controlling Shareholders” in this prospectus, none of our Controlling Shareholders, Directors and their respective close associates are interested in any business which competes or is likely to compete with that of ours.

## SHARE CAPITAL

### SHARE CAPITAL

The following table is prepared on the basis that the Capitalisation Issue and the Share Offer have become unconditional. This table, however, takes no account of any Shares which may be allotted and issued by our Company pursuant to the exercise of the Adjustment Options and any options which may be granted under the Share Option Scheme and of any Shares which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below.

HK\$

#### *Authorised share capital*

<u>2,000,000,000</u>	Shares of HK\$0.01 each	<u>HK\$20,000,000</u>
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#### *Shares in issue or to be issued, fully paid or credited as fully paid:*

1,000	Shares in issue at the date of this prospectus	HK\$10
674,999,000	Shares to be issued under the Capitalisation Issue	HK\$6,749,990
<u>225,000,000</u>	Shares to be issued under the Share Offer	<u>HK\$2,250,000</u>
<u>900,000,000</u>	Total number of Shares issued and to be issued upon completion of the Capitalisation and the Share Offer	<u>HK\$9,000,000</u>

### MINIMUM PUBLIC FLOAT

The minimum level of public float to be maintained by our Company at all times after Listing under the Listing Rules is 25% of its share capital in issue from time to time. The 225,000,000 Offer Shares represent not less than 25% of the issued share capital of our Company upon the Listing.

### RANKING

The Offer Shares, including the additional Shares which may be issued pursuant to the Adjustment Options, will rank pari passu in all respects with all Shares in issue or to be issued as mentioned herein, and will qualify for all dividends or other distributions declared, made or paid after the date of this prospectus, save for entitlements under the Capitalisation Issue.

### SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Details of the principal terms are summarised in the paragraph headed “D. Share Option Scheme” in Appendix V to this prospectus.

Our Group does not have any outstanding share options, warrants, convertible instruments, pre-IPO share options or similar rights convertible into the Shares as at the Latest Practicable Date.

## SHARE CAPITAL

### CAPITALISATION ISSUE

Pursuant to the written resolutions of the sole Shareholder passed on 21 September 2017, subject to the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the allotment and issue of the Offer Shares pursuant to the Share Offer, the Directors were authorised to allot and issue a total of up to 674,999,000 Shares, credited as fully paid at par, to the holders of shares on the register of members or the principal share register of the Company at the close of business on 21 September 2017 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalisation of an amount of up to HK\$6,749,990 standing to the credit of the share premium account of the Company, and the Shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued Shares (except for entitlement to the Capitalisation Issue).

### GENERAL MANDATE

Subject to the conditions set forth in the paragraph headed “Structure and conditions of the Share Offer — Conditions of the Public Offer” in this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue or an issue of Shares upon exercise of any subscription rights attached to any warrants or convertible securities or pursuant to the exercise of any options which might be granted under the Share Option Scheme or any other option scheme(s) or other similar arrangements or under the Share Offer or any scrip dividends in accordance with the Articles or a specific authority granted by the Shareholders, Shares or securities or options convertible into Shares and to make and grant offers and agreements which would or might require Shares to be allotted with an aggregate number of Shares not exceeding:

- 20% of the aggregate number of our issued shares as enlarged by the Share Offer and the Capitalisation Issue (excluding Shares which may be issued under the Adjustment Options or pursuant to the exercise of options under the Share Option Scheme); and
- the aggregate number of our Shares repurchased under the authority granted by us to our Directors pursuant to the Repurchase Mandate referred to below (if any).

This general mandate will remain in effect until:

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required by the Articles or any applicable law to be held; or
- the revocation or variation by an ordinary resolution of the Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed “A. Further information about the Company — 3. Written resolutions of the sole Shareholder” in Appendix V to this prospectus.

## SHARE CAPITAL

### REPURCHASE MANDATE

Subject to the conditions set forth in the paragraph headed “Structure and conditions of the Share Offer — Conditions of the Public Offer” in this prospectus being fulfilled, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, Shares not exceeding 10% of the aggregate number of our issued shares immediately following completion of the Share Offer and the Capitalisation Issue (excluding Shares which may be issued under the Adjustment Options or pursuant to the exercise of options under the Share Option Scheme).

The general mandate to repurchase Shares will remain in effect until:

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required by the Articles or any applicable law to be held; or
- the revocation or variation by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this repurchase mandate, please refer to the paragraph headed “A. Further Information about the Company — 3. Written resolutions of the sole Shareholder” in Appendix V to this prospectus.

### CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

The circumstances under which general meeting and class meeting of the Company are required are provided in the Articles of Association and the Companies Law. For a summary, please see the section headed “Summary of the constitution of the Company and the Cayman Islands Company Law” in Appendix IV to this prospectus.

## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Share Offer and Capitalisation Issue (without taking into account the Shares which may be issued upon to the exercise of the Adjustment Options or any options that may be granted under the Share Option Scheme), each of the following persons will have an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Capacity/ Nature of Interest	Number of Shares held immediately after completion of the Share Offer and the Capitalisation Issue	Approximate percentage of interests in the Company immediately after completion of the Share Offer and the Capitalisation Issue
Colourfield Global ( <i>Note 1</i> )	Beneficial owner	675,000,000 Shares	75%
Mr. Li ( <i>Note 1</i> )	Interest in a controlled corporation	675,000,000 Shares	75%
Mrs. Li ( <i>Note 2</i> )	Interest of spouse	675,000,000 Shares	75%

*Notes:*

1. Mr. Li beneficially owns the entire issued share capital of Colourfield Global and is deemed, or taken to be, interested in all the Shares held by Colourfield Global for the purpose of the SFO. Mr. Li is the sole director of Colourfield Global.
2. Mrs. Li is the spouse of Mr. Li. Accordingly, Mrs. Li is deemed, or taken to be, interested in the Shares in which Mr. Li is interested for the purpose of the SFO.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the completion of the Share Offer and Capitalisation Issue (without taking account of the Shares which may be issued pursuant to the exercise of the Adjustment Options or any options which may be granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

## FINANCIAL INFORMATION

*The following discussion of our Group's financial position and results of operations should be read in conjunction with our Group's consolidated financial information as of and for the years ended 31 March 2015, 2016 and 2017, including the notes thereto, included in Appendix I to this prospectus. The financial statements have been prepared in accordance with HKFRSs. The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our Group's future results could differ materially from those discussed below as a result of various factors, including those set forth under the section "Risk Factors" and elsewhere in this prospectus.*

### OVERVIEW

We are principally engaged in the foundation and site formation works in Hong Kong as a subcontractor and the provision of construction machinery leasing services. The foundation and site formation works provided by us mainly include ELS works, pile caps construction and site formation works for both public and private sector projects. The provision of construction machinery leasing services include the leasing of construction machinery such as excavator.

As a sub-contractor, we provide our customers with foundation and site formation works. Our Group's revenue derived from fees for the provision of our foundation and site formation works is determined on a project-by-project basis and is denominated in HK dollars. During the Track Record Period, our customers for construction projects primarily include main contractors of various types of development projects in Hong Kong. For the three years ended 31 March 2015, 2016 and 2017, our revenue derived from foundation and site formation works amounted to approximately HK\$215.1 million, HK\$332.3 million and HK\$360.5 million respectively.

In addition, we also earned machinery leasing income from the lease of our machinery. Machineries leasing income amounted to approximately HK\$23.7 million, HK\$16.8 million and HK\$20.2 million for the years ended 31 March 2015, 2016 and 2017 respectively.

### BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 13 March 2017 and became the holding company of our Group pursuant to the Reorganisation completed on 31 March 2017. Our Group's businesses were conducted principally through Lik Shing Engineering, Lik Shing Construction and Lik Shing Construction Engineering. As detailed in the section "History, Reorganisation and Corporate Structure", our Group underwent the Reorganisation to rationalise its corporate structure in preparation for the listing of our Company's shares on the Stock Exchange.

Following the Reorganisation, our Company is now ultimately beneficially wholly-owned by Mr. Li. The companies now comprising the Group have been under the common control of and beneficially owned by Mr. Li throughout the Track Record Period or since their respective dates of incorporation up to 31 March 2017 where this is a shorter period. As there was no change in the Controlling Shareholder before and after the Reorganisation, the Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Reorganisation has been accounted for as a combination of entities using the merger basis of accounting. The historical financial information of the Group has been prepared and presented on the basis as if the Company had always been the holding company of the companies now comprising the Group throughout the Track Record

## FINANCIAL INFORMATION

Period, using the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the HKICPA as set out in note 4 of the Accountants’ Report in Appendix I to this prospectus.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Track Record Period include the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period or since their respective dates of incorporation up to 31 March 2017 where this is a shorter period. The consolidated statements of financial position of the Group as at 31 March 2015 and 2016 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 dates.

### **KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

Our financial conditions and results of operations have been and will continue to be affected by a number of factors, including, in particular, the following.

#### **Demand for foundation and site formation works in Hong Kong**

Our results of operations are mainly affected by the number and availability of construction projects in Hong Kong, which in turn are affected by various factors, including but not limited to the general economic conditions in Hong Kong, changes in the conditions relating to the Hong Kong construction industry, government policies and, the amount of investment in the construction of new infrastructure and the improvement of existing infrastructure. The changes may increase or decrease the demand for our foundation and site formation works.

There is no assurance that the number of construction projects will not decrease in the future. In the event that the demand of foundation and site formation works decreases as a result of the reduction in the number of construction projects in Hong Kong, our businesses in general and our results of operations may be adversely and materially affected.

#### **Collectability and timing of collection of our trade receivables and retention receivables**

We will submit a payment application to our customers and once our customer is satisfied with our payment application, a payment certificate will be issued to us. Our customer will usually retain up to 10% of each interim payment and up to a maximum limit of 5% of the total contract sum as retention money for the project. There can be no assurance that such retention money will be released to us on a timely basis.

As at 31 March 2017, our trade receivables and retention receivables are approximately HK\$12.5 million and HK\$16.2 million, respectively. Any failure by our customers to make payments to us on time and in full may have an adverse impact on our liquidity and financial position.

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### **Concentration of customer base**

A significant portion of our revenue was derived from a small number of customers during the Track Record Period. Our five largest customers' revenue contribution for the three years ended 31 March 2017 accounted for approximately 94.1%, 96.5% and 95.4% of our total revenue of the same period, respectively. For the same period, our largest customer, Kin Wing Group, accounted for approximately 61.4%, 74.0% and 66.2% of our total revenue, respectively.

During the Track Record Period and up to the Latest Practicable Date, we did not enter into any long-term service contracts with our major customers. Our service contracts for all foundation and site formation works are entered into on a project-by-project basis. As such, there is no assurance that our major customers will continue to engage us as they do currently, or engage us at the same contracting rate, after completion of existing projects as each project are specific.

### **Supply and cost of labour**

Our foundation and site formation projects depend on the use of labour. Our direct labour costs accounted for approximately 19.8%, 18.5% and 17.7% of the total cost of sales for each of the years ended 31 March 2015, 2016 and 2017 respectively. The supply and cost of labour in Hong Kong are affected by the availability of labours in the market as well as economic factors in Hong Kong including the inflation rate and standard of living. There is no assurance that the supply of labour and average labour costs will be stable and that our Group will be able to identify and recruit staff members as replacement in a timely manner, which could have an adverse effect on our Group's operation. If labour cost increases and if our Group is not able to apply effective strategy to control labour cost, our Group's competitiveness and profitability could be adversely affected.

### **Pricing of our projects**

Our contract price is based on the terms of the project, the degree of complexity, the length of the project period, the general market condition and the estimated costs to be incurred plus a mark-up. Pricing is critical to our business operations. We compete with our competitors by offering competitive price quotations together with quality services to our customers. On the other hand, we carefully prepare our cost budget and regularly monitor our actual costs to ensure that they will not exceed our budget. Once the contract price is fixed, we will have to bear any cost increment due to unforeseen circumstances. In the event of any unexpected delay in our projects and we are unable to reallocate our resources in an efficient manner or enter into a variation order with our clients, our profitability would be adversely affected.

### **Subcontracting fee**

Depending on the availability of our labour resources and the opportunity cost of performing the work with our own resources, we may subcontract part of our works to other subcontractors. Our subcontracting costs represent a significant portion of our cost of sales. Our subcontracting costs amounted to approximately HK\$36.7 million, HK\$63.1 million and HK\$94.8 million respectively, representing approximately 17.1%, 20.1% and 28.4% of our cost of sales for each of the years ended 31 March 2015, 2016 and 2017 respectively. The subcontracting costs may fluctuate after we have secured

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our projects and may deviate from the estimation we made during the tender stage. Should there be any significant and unexpected increase in the subcontracting costs which cannot be passed on to our customers, our profitability will be adversely affected.

### **Investment and the addition of machinery**

Our construction projects require the use of machinery. To attain to our customer requirements, we need to invest in suitable machinery to cope with the latest development and maintain our competitiveness.

One of our future plans is to acquire additional machinery by utilising a portion of the net proceeds from the Share Offer so as to enhance our capacity to cope with the expected business growth and fulfill more customer's requirements. Such machinery includes excavators and lifting crane. As a result of the acquisition of additional machinery, it is expected that additional depreciation expenses will be charged to our profit or loss account and may therefore affect our financial performance and operating results.

In addition, there is no assurance that our machinery will not malfunctioned, be damaged or lost as a result of, among others, improper operation, accidents, fire, adverse weather conditions, theft or robbery. If the malfunctioned, damaged or lost machinery cannot be repaired and/or replaced in a timely manner or any write-off of machinery is required, our operations and financial performance could be adversely affected.

### **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Our Group's financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes Hong Kong Accounting Standards ("HKASs") and related interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The significant accounting policies adopted by our Group are set forth in details in the Accountants' Report set out in Appendix I to this prospectus. Some of the accounting policies involve judgements, estimates and assumptions made by our management, all of which are subject to inherent uncertainties. The estimates and the associated assumptions are based on historical data, our experience and factors that we believe to be relevant and reasonable under the circumstances. The following paragraphs summarise the critical accounting policies and estimates applied in the preparation of our Group's consolidated financial statements.

#### **Revenue recognition**

##### *Construction contracts revenue*

When the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract work is recognised at the stage of contract completion, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of contract completion is established according to the progress certificate (by reference to the amount of completed works confirmed by surveyor) issued by the customers.

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In practice, we will submit to our customer either upon project completion or by stages, a payment application detailing the work that has been performed to date. For progress certification, once our customer is satisfied with the content of the payment application, our customer will sign our payment application or issue a payment certificate certifying the amount of completed works.

### *Machinery leasing income*

Machinery leasing income is recognised in profit or loss in equal instalments over the periods covered by the lease terms, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

### *Rental income from investment property*

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

### *Interest income*

Interest income is recognised as it accrues using the effective interest method.

### **Amounts due from/to customers for contract work**

In accordance with paragraph 43 of HKAS 11 (Construction Contracts), we present in the statements of financial position as the “Amounts due from customers for contract work” (as an asset) for which costs incurred plus recognised profits (less recognised losses) exceed progress billings or the “Amounts due to customers for contract work” (as a liability) for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses). As we did not have any such recognised losses during the Track Record Period, our amounts due from customers for contract work have arisen during the Track Record Period when costs incurred plus recognised profits exceed progress billings and our amounts due to customers for contract work have arisen during the Track Record Period when progress billings exceed costs incurred plus recognised profits. The following paragraphs explain how our Group’s amounts due from customers for contract work and amounts due to customers for contract work arise in practice.

As mentioned under the paragraph headed “Critical accounting policies and estimates — Revenue recognition” above, we recognise construction contracts revenue based on the percentage of completion method. The percentage of completion of a contract is established according to the construction works certified by the customers. Under the percentage of completion method, construction contracts revenue is matched with the construction contracts costs incurred in reaching the stage of completion, resulting in the reporting of revenue, expenses and profit which can be attributed to the proportion of work completed.

Given the aforesaid principle, amounts due from customers for contract work have arisen during the Track Record Period when costs incurred plus recognised profits exceed progress billings, which, in practice, generally means when progress billings had not yet taken place as at a financial year-end date

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in respect of construction works performed by our Group during that financial year. While, amounts due to customers for contract work have arisen during the Track Record Period when progress billings exceed costs incurred plus recognised profits.

Progress billings take place when the construction works performed by our Group are certified by the relevant customers. During the Track Record Period, progress certifications in respect of construction works performed during a financial year might not have necessarily taken place by the end of that financial year. This was because there might be works that we had completed but not yet certified by customers, as we might apply for customers' progress certifications periodically and the dates of such progress certifications happened to have not fallen on our financial year-end dates. Construction contracts revenue would be recognised as described under the paragraph headed "Critical accounting policies and estimates — Revenue recognition" above.

### Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Gains or losses arising from the retirement or disposal of an item of plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

### SUMMARY OF RESULTS OF OPERATIONS

The consolidated statements of profit or loss and 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.

	<b>For the year ended 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	238,778	349,021	380,657
Cost of sales	<u>(214,116)</u>	<u>(313,253)</u>	<u>(334,315)</u>
Gross profit	24,662	35,768	46,342
Other income	779	1,138	1,704
Administrative expenses	(10,088)	(10,528)	(17,655)
Finance costs	<u>(751)</u>	<u>(879)</u>	<u>(847)</u>
Profit before taxation	14,602	25,499	29,544
Income tax expense	<u>(2,783)</u>	<u>(4,194)</u>	<u>(6,161)</u>
Profit and total comprehensive income for the year	<u><u>11,819</u></u>	<u><u>21,305</u></u>	<u><u>23,383</u></u>

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### PRINCIPAL COMPONENTS OF RESULTS OF OPERATIONS

#### Revenue

Revenue represents the revenue from foundation and site formation works and machinery leasing income. The breakdown of revenue is set out below:

	<b>For the year ended 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from foundation and site formation works	215,086	332,265	360,481
Machinery leasing income	<u>23,692</u>	<u>16,756</u>	<u>20,176</u>
<b>Total</b>	<b><u>238,778</u></b>	<b><u>349,021</u></b>	<b><u>380,657</u></b>

#### *Revenue from foundation and site formation works*

Revenue from foundation and site formation works is recognised at the stage of completion. The stage of completion is established by reference to the construction works certified by our customers. The portion of total construction contract amount that is certified to have been completed in a period is recognised as revenue of our Group in that respective period.

For the years ended 31 March 2015, 2016 and 2017, there were respectively, 35, 37 and 41 construction projects contributing respectively approximately HK\$215.1 million, HK\$332.3 million and HK\$360.5 million, to our revenue.

The following table sets forth the revenues generated by both private and public sector projects from construction contracts during the Track Record Period:

	<b>For the year ended 31 March</b>					
	<b>2015</b>		<b>2016</b>		<b>2017</b>	
	<i>No. of projects</i>	<i>Revenue HK\$'000</i>	<i>No. of projects</i>	<i>Revenue HK\$'000</i>	<i>No. of projects</i>	<i>Revenue HK\$'000</i>
Private sector	25	170,209	23	197,888	20	226,832
Public sector	<u>10</u>	<u>44,877</u>	<u>14</u>	<u>134,377</u>	<u>21</u>	<u>133,649</u>
<b>Total</b>	<b><u>35</u></b>	<b><u>215,086</u></b>	<b><u>37</u></b>	<b><u>332,265</u></b>	<b><u>41</u></b>	<b><u>360,481</u></b>

The revenue from foundation and site formation works of the Group are mainly derived from the private sector which amounted to approximately HK\$170.2 million, HK\$197.9 million and HK\$226.8 million for the year ended 31 March 2015, 2016 and 2017 respectively, representing approximately 79.1%, 59.6% and 62.9% of the total revenue from foundation and site formation works in the respective year while the revenue of foundation and site formation works derived from the public sector amounted

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to approximately HK\$44.9 million, HK\$134.4 million and HK\$133.6 million for the year ended 31 March 2015, 2016 and 2017 respectively, representing approximately 20.9%, 40.4% and 37.1% of the total revenue from foundation and site formation works in the respective year.

The revenue from foundation and site formation works of the Group contributed by the private sector increased from approximately HK\$170.2 million for the year ended 31 March 2015 to approximately HK\$197.9 million for the year ended 31 March 2016, which was mainly due to the commencement of high contract values' projects during the year ended 31 March 2015 which were substantially completed during the year ended 31 March 2016, for example, the Long Ping North project. Hence, there was a relative increase in the revenue contributed notwithstanding a slightly decrease in the number of projects for the year ended 31 March 2016 as compared to the previous financial year. For the year ended 31 March 2017, the revenue of foundation and site formation works of the Group contributed by the private sector further increased to approximately HK\$226.8 million for the year ended 31 March 2017 as we continued to emphasize contracting more high contract values' projects such as the ELS and pile cap works at Tseung Kwan O Lot 70 Area 86, New Territories and the ELS and pile cap work of Long Ping South project at Yuen Long, which led to an increase in revenue notwithstanding a decrease in the total number of projects.

During the year ended 31 March 2016, the amount of the Group's revenue from foundation and site formation works derived from the public sector has significantly increased from approximately HK\$44.9 million for the year ended 31 March 2015 to approximately HK\$134.4 million for the year ended 31 March 2016. Such increase was mainly due to (i) several new public foundation and site formation projects such as the foundation projects of Shatin Area 36C and Sheung Lok Street, Ho Man Tin, the foundation work at Yau Yue Wan Village, Tsuen Kwan O and the Sheung Shui Choi Yuen Road project were undertaken by our Group for the year ended 31 March 2016; and (ii) an increase in revenue recognized in relation to the foundation work project for public rental housing development at Phase 2 of Shek Mun Estate for the year ended 31 March 2016 as compared to the previous financial year due to the recognition of the full year's majority of works for the year ended 31 March 2016 as opposed to the early commencement stage of this project, which was in the previous financial year. For the year ended 31 March 2017, there was no material changes for the construction work revenue contributed by the public sector, which amounted to approximately HK\$133.6 million, as compared to the previous financial year.

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Depending on the requirements of our customers, during the Track Record Period, we carried out foundation and site formation works for our customers. The table below sets forth a breakdown of our revenue from foundation and site formation works generated by the types of works, namely, (i) foundation works only; (ii) site formation works only; and (iii) a mix of both the foundation works and site formation works for the years indicated:

	<b>For the year ended 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Foundation works only	192,854	295,678	253,490
Site formation works only	2,198	855	20,777
Mixed ( <i>Note</i> )	<u>20,034</u>	<u>35,732</u>	<u>86,214</u>
 Total	 <u><u>215,086</u></u>	 <u><u>332,265</u></u>	 <u><u>360,481</u></u>

*Note:* “Mixed” denotes both (i) foundation works and (ii) site formation works are provided in a project.

The revenue from foundation works contracts increased from approximately HK\$192.9 million for the year ended 31 March 2015 to approximately HK\$295.7 million for the year ended 31 March 2016. Such increase was mainly due to the commencement of the Long Ping North project during the year ended 31 March 2015 which was completed during the year ended 31 March 2016. As this foundation work contract was completed during the year ended 31 March 2016, the revenue from foundation works only contracts subsequently decreased to approximately HK\$253.5 million for the year ended 31 March 2017.

The revenue from site formation contracts decreased from approximately HK\$2.2 million for the year ended 31 March 2015 to approximately HK\$0.9 million for the year ended 31 March 2016 due to the completion of the site formation work at 383–399 Shau Kei Wan Road, Shau Kei Wan. The revenue from site formation contracts subsequently increased to approximately HK\$20.8 million for the year ended 31 March 2017 due to the revenue contribution from the substantial completion of Hiram’s Highway Improvement Stage 1 works during the year ended 31 March 2017 which was commenced in mid-2016.

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The revenue from mixed contracts with both foundation works and site formation works increased from approximately HK\$20.0 million for the year ended 31 March 2015 to approximately HK\$35.7 million for the year ended 31 March 2016 mainly due to the commencement of the project near No. 110 Repulse Bay Road, Repulse Bay during the year ended 31 March 2015 which was completed during the year ended 31 March 2016. The revenue from mixed contracts with both foundation and site formation works significantly increased from approximately HK\$35.7 million for the year ended 31 March 2016 to approximately HK\$86.2 million for the year ended 31 March 2017 mainly due to (i) the commencement of two large foundation and site formation works contracts in relation to the Hong Kong–Zhuhai–Macao Bridge, of which the original contract sum was approximately HK\$180.0 million in aggregate; and (ii) an increase in revenue arising from the project at No. 42–44 Kotewall Road, Hong Kong in which majority of work was substantially completed during the year ended 31 March 2017.

The following table sets forth the revenues generated by work type, namely civil works and building works, during the Track Record Period:

	<b>For the year ended 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Civil works	32,510	15,784	84,481
Buildings works	<u>182,576</u>	<u>316,481</u>	<u>276,000</u>
<b>Total</b>	<u><u>215,086</u></u>	<u><u>332,265</u></u>	<u><u>360,481</u></u>

As shown in the table above, our revenue generated from civil works amounted to approximately HK\$32.5 million, HK\$15.8 million and HK\$84.5 million for the years ended 31 March 2015, 2016 and 2017, respectively, whilst the revenue generated from building works amounted to approximately HK\$182.6 million, HK\$316.5 million and HK\$276.0 million for the same such increase. The Group's revenue from building works has significantly increased from approximately HK\$182.6 million for the year ended 31 March 2015 to approximately HK\$316.5 million for the year ended 31 March 2016. Such increase was mainly due to (i) several new building projects, such as Shatin Area 36C project, No. 650 Cheung Sha Wan Road project and Sheung Shui Choi Yuen Road project, which were undertaken by our Group for the year ended 31 March 2016; and (ii) an increase in revenue recognised in relation to the building works projects for Phase 2 of Shek Mun Estate, and Long Ping North for the year ended 31 March 2016 as compared to the previous financial year as majority of works were carried out during the year ended 31 March 2016 as opposed to the early commencement stage of the projects which commenced in the previous financial year. For the year ended 31 March 2017, an increasing portion of our revenue derived from civil works projects. Such increase was mainly due to civil works projects for Hong Kong-Zhuhai-Macao Bridge (HY/2013/02) and (HY/2013/03) and Tseung Kwan O phase 1 137 Public Fill Site (CV/2013/06), which have recognised a total revenue of approximately HK\$63.9 million for the year ended 31 March 2017.

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Set out below is the breakdown of projects based on their respective revenue recognised during the Track Record Period.

	<b>For the year ended 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>No. of projects</i>	<i>No. of projects</i>	<i>No. of projects</i>
<b>Revenue recognised</b>			
HK\$50,000,000 or above	—	2	1
HK\$10,000,000 to below HK\$50,000,000	7	7	8
HK\$5,000,000 to below HK\$10,000,000	6	2	4
HK\$1,000,000 to below HK\$5,000,000	9	12	8
Below HK\$1,000,000	<u>13</u>	<u>14</u>	<u>20</u>
 Total	 <u><u>35</u></u>	 <u><u>37</u></u>	 <u><u>41</u></u>

As shown in the above table, the number of projects with revenue recognized gradually increased during the Track Record Period. Please refer to the section headed “Business — Our foundation and site formation projects — Projects completed during the Track Record Period and up to the Latest Practicable Date” for details. As at the Latest Practicable Date, we had 15 projects on hand (including projects in progress and projects awarded to us but have yet to commence) with a total outstanding original contract sum of approximately HK\$291.7 million. Please refer to the section headed “Business — Our foundation and site formation projects — Projects on hand as at the Latest Practicable Date” for details.

For the years ended 31 March 2015, 2016 and 2017, we commenced 20, 17 and 23 projects respectively. Set out below is the breakdown of such projects based on original contract sum:

	<b>For the year ended 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>No. of projects</i>	<i>No. of projects</i>	<i>No. of projects</i>
<b>Original Contract sum</b>			
HK\$50,000,000 or above	3	1	4
HK\$10,000,000 to below HK\$50,000,000	5	4	3
HK\$5,000,000 to below HK\$10,000,000	4	1	1
HK\$1,000,000 to below HK\$5,000,000	4	5	7
Below HK\$1,000,000	<u>4</u>	<u>6</u>	<u>8</u>
 Total	 <u><u>20</u></u>	 <u><u>17</u></u>	 <u><u>23</u></u>

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### *Machinery leasing income*

During the Track Record Period, our Group leased machinery to contractors/subcontractors under operating leases. The rental income from the lease of machinery was recognised as our Group's revenue. For the three years ended 31 March 2017, the machinery leasing income amounted to approximately HK\$23.7 million, HK\$16.8 million and HK\$20.2 million respectively, representing approximately 9.9%, 4.8% and 5.3% of the total revenue respectively.

### **Cost of sales**

Our cost of sales primarily consist of (i) material costs; (ii) subcontracting costs; (iii) direct labour costs; (iv) transportation costs; (v) depreciation expenses; and (vi) others. The following table sets out the breakdown of our cost of sales by nature during the Track Record Period:

	<b>For the year ended 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Material costs	92,252	140,054	138,861
Subcontracting costs	36,720	63,093	94,751
Direct labour	42,381	57,887	59,199
Transportation costs	22,358	28,266	17,961
Depreciation of plant and equipment	2,815	4,336	5,858
Others	<u>17,590</u>	<u>19,617</u>	<u>17,685</u>
<b>Total</b>	<b><u>214,116</u></b>	<b><u>313,253</u></b>	<b><u>334,315</u></b>

Our cost of sales amounted to approximately HK\$214.1 million and HK\$313.3 million for the years ended 31 March 2015 and 2016 respectively, representing an increase of approximately 46.3%. For the year ended 31 March 2017, our cost of sales amounted to approximately HK\$334.3 million, representing an increase of approximately 6.7% as compared with the year ended 31 March 2016.

### *Material costs*

The amount of material costs depends on the volume and price of materials used in projects. Construction materials are acquired on a project-by-project basis in accordance with the specifications of a project. As such, we do not retain any construction materials as our inventory. Most of the construction materials are delivered by our suppliers directly to our construction sites for immediate consumption. The amount and timing of construction materials to be ordered are assessed and controlled by the foreman and quantity surveyor of our project teams on a project-by-project basis depending on the progress of works and specific requirements of each project. In some projects, certain construction materials might be purchased by our customer on our behalf and the cost will be charged against us. For details on the arrangement, please refer to the section "Business — Customers".

Material costs consist primarily of construction materials required for performing foundation works such as steel reinforcement concrete and structural steel sections. Our materials costs increased by approximately HK\$47.8 million, or 51.8% from approximately HK\$92.3 million for the year ended 31 March 2015 to HK\$140.1 million for the year ended 31 March 2016. The increase in our material costs

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was mainly due to the substantial completion of the majority of the foundation works of the Phase 2 of Shek Mun Estate project and the foundation works of the Long Ping North project during the year ended 31 March 2016, and therefore more purchases of materials such as steel reinforcement, concrete mix, structural steel and timber were required. For the year ended 31 March 2017, our materials costs decreased slightly to approximately HK\$138.9 million, representing a decrease of approximately 0.9% from the year ended 31 March 2016. The decrease in our material costs was mainly due to the increase in the proportion of our excavation works projects which commenced during the year ended 31 March 2017 including the Long Ping South project and the Shek Kip Mei Estate phases 3&7 project which scopes of work included mainly excavation and rock breaking works.

The following sensitivity analysis illustrates the impact of the hypothetical fluctuation in our materials costs on our profit before tax during the Track Record Period, assuming all other factors remained constant. According to the Ipsos Report, from 2012 to 2016, the average wholesale price of steel reinforcement and H-piles recorded a negative CAGR of 11.3% and 11.5% respectively whereas the average wholesale price of portland cement recorded a CAGR of 0.9%. For prudence sake, we adopt the hypothetical fluctuation rates at 1% and 11%, which correspond to the approximate CAGR in the price of portland cement and in the prices of steel reinforcement and H-piles, respectively, from 2012 to 2016 as shown in the Ipsos Report, to illustrate the impact of the hypothetical fluctuations in the material costs on our profit before tax during the Track Record Period and are therefore considered reasonable for the purpose of this sensitivity analysis:

<b>Materials costs increased/decreased by</b>	<b>Increase/(decrease) in our profit before tax For the year ended</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
+11%	(10,148)	(15,406)	(15,275)
+1%	(923)	(1,401)	(1,389)
-1%	923	1,401	1,389
-11%	10,148	15,406	15,275

### *Subcontracting charges*

Subcontracting charges represent cost of sales for engaging subcontractors for pile cap construction works, ELS works and site formation works to carrying out part of our construction projects depending on our capability, project schedule, resources level, cost effectiveness and the complexity of the projects.

Subcontracting costs increased by approximately HK\$26.4 million or 71.9% from approximately HK\$36.7 million for the year ended 31 March 2015 to approximately HK\$63.1 million for the year ended 31 March 2016 and further increased by approximately HK\$31.7 million or 50.2% to approximately HK\$94.8 million for the year ended 31 March 2017.

The following sensitivity analysis illustrates the impact of the hypothetical fluctuation in our subcontracting charges on our profit before tax during the Track Record Period, assuming all other factors remained constant. As a major factor affecting subcontracting costs is, in the opinion of our

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Directors, labour costs, the hypothetical fluctuation rates are set at 4% and 18%, which correspond to the approximate minimum and maximum year-on-year fluctuations in the average daily wage for workers engaging in the foundation industry in Hong Kong from 2012 to 2016 as shown in the Ipsos Report and are therefore considered reasonable for the purpose of this sensitivity analysis:

<b>Subcontracting charges increased/decreased by</b>	<b>Increase/(decrease) in our profit before tax For the year ended</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
+18%	(6,610)	(11,357)	(17,055)
+4%	(1,469)	(2,524)	(3,790)
-4%	1,469	2,524	3,790
-18%	6,610	11,357	17,055

### *Direct labour costs*

Direct labour costs represent (i) salaries, wages and other benefits; and (ii) contributions to defined contribution retirement plan provided to direct workers of our project team, such as project managers, engineers, plant and machinery operators, site supervisors, foremen and site workers, who are directly involved in the construction projects.

Direct labour costs increased by approximately HK\$15.5 million or 36.6% from approximately HK\$42.4 million for the year ended 31 March 2015 to approximately HK\$57.9 million for the year ended 31 March 2016. Such significant increase in direct labour costs was mainly due to the increase in the number of staff directly involved in our operation to cope with the increase in the number of our projects.

Direct labour costs further increased by approximately HK\$1.3 million or 2.2% from approximately HK\$57.9 million for the year ended 31 March 2016 to approximately HK\$59.2 million for the year ended 31 March 2017. Such moderate increase in direct labour costs was mainly due to the reason that we recruited less number of staff as compared to the previous year as we subcontracted more work to our subcontractors.

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The following sensitivity analysis illustrates the impact of the hypothetical fluctuation in our direct labour costs on our profit before tax during the Track Record Period, assuming all other factors remained constant. The hypothetical fluctuation rates are set at 4% and 18%, which correspond to the approximate minimum and maximum year-on-year fluctuations in the average daily wage for workers engaging in the foundation industry in Hong Kong from 2012 to 2016 as shown in the Ipsos Report and are therefore considered reasonable for the purpose of this sensitivity analysis:

<b>Direct labour costs increased/decreased by</b>	<b>Increase/(decrease) in our profit before tax For the year ended</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
+18%	(7,629)	(10,420)	(10,656)
+4%	(1,695)	(2,315)	(2,368)
-4%	1,695	2,315	2,368
-18%	7,629	10,420	10,656

### *Transportation costs*

Transportation costs represent transportation expenses on (i) excavated mud, soil and rock; and (ii) transportation of vehicles and machines to the construction site.

Transportation costs increased by approximately HK\$5.9 million or 26.3% from approximately HK\$22.4 million for the year ended 31 March 2015 to approximately HK\$28.3 million for the year ended 31 March 2016. Such increase in transportation costs was mainly due to the increase in construction contracts revenue as well as the commencement of new projects which involves heavy transportation work such as the Phase 2 of Shek Mun Estate project and therefore more costs were incurred to transport the machinery and spoil.

Transportation costs decreased by approximately HK\$10.3 million or 36.4% from approximately HK\$28.3 million for the year ended 31 March 2016 to approximately HK\$18.0 million for the year ended 31 March 2017. Such decrease in transportation costs was mainly due to the fee in respect of the Construction Waste Disposal Charging Scheme by the HKSAR Government was wholly borne by our customers for new large projects which commenced during the year ended 31 March 2017 such as the Long Ping South project and the No. 15 Middle Road project and therefore less transportation cost was incurred by our Group.

### *Depreciation expenses*

Depreciation expenses for machinery and motor vehicles, which are used in generating our Group's revenue, are recognised as part of the cost of sales.

### *Others*

Other costs represent mainly machinery rental expenses, tools, repair and maintenance expenses, and diesel and fuel costs.

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### Gross profit

Since the Group's operating activities are attributable to a single operating segment focusing on the provision of foundation and site formation works, our Group's gross profit and gross profit margin are presented in one operating segment. The table below sets forth our gross profit and gross profit margin for the periods indicated:

	<b>For the year ended 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Gross profit ( <i>HK\$'000</i> )	24,662	35,768	46,342
Gross profit margin (%)	10.3%	10.2%	12.2%

We recorded an overall gross profit of approximately HK\$24.7 million, HK\$35.8 million and HK\$46.3 million for each of the three years ended 31 March 2017 and a gross profit margin of approximately 10.3%, 10.2% and 12.2%, respectively. We price our services based on various factors, among others, the scope of works and complexity of the projects. In this regard, our profitability fluctuates depending on the nature of projects engaged by us during the years. On the other hand, we price our leasing machinery based on the procurement cost and our expected profit margin.

The following table sets forth a breakdown of our gross profit and gross profit margin by private and public projects from construction contracts during the Track Record Period:

	<b>For the year ended 31 March</b>					
	<b>2015</b>		<b>2016</b>		<b>2017</b>	
	<b>Gross profit</b>	<b>Gross profit margin</b>	<b>Gross profit</b>	<b>Gross profit margin</b>	<b>Gross profit</b>	<b>Gross profit margin</b>
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Private sector	16,149	9.5	20,466	10.3	27,589	12.2
Public sector	7,353	16.4	14,668	10.9	18,476	13.8
Total	<u>23,502</u>	<u>10.9</u>	<u>35,134</u>	<u>10.6</u>	<u>46,065</u>	<u>12.8</u>

The gross profit margin of private sector increased from approximately 10.3% for the year ended 31 March 2016 to 12.2% for the year ended 31 March 2017. It was mainly attributable to the relative high gross profit margin for Long Ping South project of approximately 19.0% and contributed gross profit of approximately HK\$8.1 million for the year ended 31 March 2017. The relative high gross profit margin for this project was mainly because (i) less material costs were incurred as certain excavation works were involved in this ELS and pile caps project and (ii) the costs in respect of the Construction Waste Disposal Charging Scheme by the HKSAR Government (“**Disposal Fees**”) was wholly borne by Kin Wing Group, our customer for this project.

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The public sector had a relative high gross profit margin of approximately 16.4% for the year ended 31 March 2015. It was mainly attributable to the relative high gross profit margin for the Central-Wan Chai Bypass at Wan Chai West (Package 2) (HK/2012/08) project of approximately 24.4% and contributed gross profit of approximately HK\$2.0 million for the year ended 31 March 2015. The relative high gross profit margin for this project was mainly because the construction involved a substantial part of diaphragm wall works, the nature of which is similar to the Central-Wan Chai Bypass project at Wan Chai West (Package 1) (HK/2012/08) that commenced in early 2014. As a result, our labours became familiar with the diaphragm wall works and enhanced their efficiency in carrying out these works for the Central-Wan Chai Bypass project at Wan Chai West (Package 2) (HK/2012/08).

The gross profit margin of public sector increased from approximately 10.9% for the year ended 31 March 2016 to 13.8% for the year ended 31 March 2017. It was mainly attributable to the relative high gross profit margin for Redevelopment of Shek Kip Mei Estate phase 3&7 project of approximately 25.0% and contributed gross profit of approximately HK\$2.9 million for the year ended 31 March 2017. The relative high gross profit margin for this project was mainly because less material costs were incurred as a substantial part of the excavation and rock breaking work was involved for this ELS and pile caps project.

The following table sets forth a breakdown of our gross profit and gross profit margin by work type, namely civil works and building works, during the Track Record Period:

	For the year ended 31 March					
	2015		2016		2017	
	Gross profit margin <i>HK\$'000</i>	Gross profit margin <i>%</i>	Gross profit margin <i>HK\$'000</i>	Gross profit margin <i>%</i>	Gross profit margin <i>HK\$'000</i>	Gross profit margin <i>%</i>
Civil works	5,709	17.6	3,288	20.8	11,785	13.9
Buildings works	<u>17,793</u>	<u>9.7</u>	<u>31,846</u>	<u>10.1</u>	<u>34,280</u>	<u>12.4</u>
Total	<u><u>23,502</u></u>	<u><u>10.9</u></u>	<u><u>35,134</u></u>	<u><u>10.6</u></u>	<u><u>46,065</u></u>	<u><u>12.8</u></u>

The gross profit margin of civil works had relative high gross profit margin of 17.6% and 20.8% for the year ended 31 March 2015 and 2016 respectively. It was mainly attributable to the relative high gross profit margin for Central-Wan Chai Bypass project at Wan Chai West (Package 2) (HK/2012/08) of approximately 24.4% for both year ended 31 March 2015 and 31 March 2016 and contributed gross profit of approximately HK\$2.0 million and HK\$1.8 million for the respective financial years.

The gross profit margin of building works increased from approximately 10.1% for the year ended 31 March 2016 to 12.4% for the year ended 31 March 2017. It was mainly attributable to the relative high gross profit margin for (i) Long Ping South project of approximately 19.0% and contributed gross profit of approximately HK\$8.1 million for the year ended 31 March 2017 and (ii) Redevelopment of Shek Kip Mei Estate phase 3&7 project of approximately 25.0% and contributed gross profit of approximately HK\$2.9 million for the same year.

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### Other revenue

Other revenue mainly include government subsidy received under the “ex-gratia payment scheme for phasing out pre-euro IV diesel commercial vehicles” upon disposal of certain motor vehicles, sales of scrap materials and gain on disposal of plant and equipment. Other revenue amounted to approximately HK\$0.8 million, HK\$1.1 million and HK\$1.7 million for each of the three years ended 31 March 2017 respectively.

### Administrative expenses

Administrative expenses consist primarily of depreciation expenses, director’s remuneration, entertainment expenses, listing expenses, loss on disposal of plant and equipment, rental and rates, staff costs and other expenses. The following table sets out the administrative expenses by nature during the Track Record Period:

	<b>For the year ended 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Depreciation of plant and equipment	3,560	3,853	2,956
Director’s remuneration	600	600	700
Entertainment expenses	1,871	1,777	2,514
Listing expenses	—	—	4,269
Loss on disposal of plant and equipment	123	110	—
Rental and rates	446	526	692
Staff costs	2,131	2,185	2,578
Other expenses	1,357	1,477	3,946
<b>Total</b>	<b>10,088</b>	<b>10,528</b>	<b>17,655</b>

Our administrative expenses during the Track Record Period comprised:

- (a) depreciation of plant and equipment mainly includes depreciation for leasehold improvement and computer equipment at our Group’s office premises, which are not directly involved in our foundation and site formation projects, are recognised as administrative expenses;
- (b) director’s remuneration, which includes salaries, allowances and other benefits provided to one of our Directors;
- (c) entertainment expenses, which mainly represent costs in relation to the relationship building with existing and potential customers;
- (d) listing expenses, which represent expenses in relation to the Listing;
- (e) loss on disposal of plant and equipment, which represents mainly the loss on disposal of excavators;

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- (f) rental and rates, which represents rental expenses and rates for our office premises and warehouses;
- (g) staff costs, which include (i) salaries and benefits; and (ii) mandatory provident fund contributions provided to our senior management and administrative staff;
- (h) other expenses, which mainly include motor vehicle expenses, insurance, repair and maintenance, loss on revaluation on investment property and provision of penalty charges.

### Finance costs

Finance costs represent interest expenses on bank borrowings and finance lease liabilities as set out below.

	<b>For the year ended 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:			
— borrowings	335	394	666
— obligations under finance leases	416	485	181
<b>Total</b>	<b>751</b>	<b>879</b>	<b>847</b>

Finance charges on obligations under finance leases were incurred for some of our Group's machinery and motor vehicles during the Track Record Period. The interests on borrowings were determined with reference to prevailing market rate. Details of our borrowings and finance lease obligations are disclosed in the paragraph headed "Indebtedness" in this section.

### Income tax expense

Our Group's revenue during the Track Record Period was derived in Hong Kong and our Group was subject to profits tax in Hong Kong. Hong Kong profits tax is charged at a statutory rate of 16.5% of the estimated assessable profits for the Track Record Period.

For each of the three years ended 31 March 2017, our income tax expense amounted to approximately HK\$2.8 million, HK\$4.2 million and HK\$6.2 million, respectively. The effective tax rates of our Group for the three years ended 31 March 2017 were approximately 19.1%, 16.4% and 20.9% respectively.

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### YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

#### Year ended 31 March 2017 compared with year ended 31 March 2016

##### *Revenue*

Our Group's revenue increased by around HK\$31.7 million, or 9.1%, from approximately HK\$349.0 million for the year ended 31 March 2016 to approximately HK\$380.7 million for the year ended 31 March 2017.

The revenue derived from foundation and site formation works increased from approximately HK\$332.3 million for the year ended 31 March 2016 to approximately HK\$360.5 million for the year ended 31 March 2017. Such increase was mainly due to (i) our efforts in pursuing projects of relatively larger scale in terms of contract sum during the year ended 31 March 2017 including two large foundation and site formation works contracts in relation to the Hong Kong–Zhuhai–Macao Bridge with an aggregate original contract sum of approximately HK\$180.0 million; the pile caps and ELS work of the Long Ping South project; and the pile caps and ELS work project at No. 15 Middle Road, Tsim Sha Tsui; (ii) the increase in revenue contributed by projects which were substantially completed during the year ended 31 March 2017 such as the site formation and pile cap works project at No. 42–44 Kotewall Road, Hong Kong.

The machinery leasing income increased from approximately HK\$16.8 million for the year ended 31 March 2016 to approximately HK\$20.2 million for the year ended 31 March 2017 mainly attributable to the leasing income derived from a major new customer for the rental of excavators.

##### *Costs of sales*

Our Group's costs of sales increased by approximately HK\$21.0 million, or 6.7%, from approximately HK\$313.3 million for the year ended 31 March 2016 to approximately HK\$334.3 million for the year ended 31 March 2017. Such increase was mainly due to the increases in subcontracting costs and direct labour costs, partially offset by the decreases in transportation costs and material costs, which are explained further below.

Our material costs slightly decreased by approximately HK\$1.2 million or 0.9%, from approximately HK\$140.1 million for the year ended 31 March 2016 to approximately HK\$138.9 million for the year ended 31 March 2017. Such decrease was mainly due to the increase in the proportion of our excavation works projects which were commenced during the year ended 31 March 2017 including the Long Ping South project and the Shek Kip Mei Estate phases 3&7 project. The major scopes of work included mainly excavation and rock breaking works and therefore our material costs had decreased.

Our subcontracting costs increased by approximately HK\$31.7 million or 50.2%, from approximately HK\$63.1 million for the year ended 31 March 2016 to approximately HK\$94.8 million for the year ended 31 March 2017. Such increase was mainly due to the reason that we subcontracted most of our works such as steel reinforcement fixing, shoring installation, timber formwork, and drainage works in relation to large projects with relatively large contract value that we performed during the year ended 31 March 2017 including the ELS and pile cap works project at Tseung Kwan O Lot 70 Area 86, New Territories and the site formation and foundation works at the Hong Kong–Zhuhai–Macao

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Bridge (HY/2013/02 & HY/2013/03). As our subcontractors were usually better equipped with the necessary skill and machinery to perform the subcontracting works, we could better control our operating costs in performing our projects.

Our direct labour costs increased by approximately HK\$1.3 million or 2.2%, from approximately HK\$57.9 million for the year ended 31 March 2016 to approximately HK\$59.2 million for the year ended 31 March 2017. Such increase was mainly due to the increase in the number of staff directly involved in our operations to cope with the larger scale of our projects undertaken by our Group.

Our transportation costs decreased by approximately HK\$10.3 million or 36.4%, from approximately HK\$28.3 million for the year ended 31 March 2016 to approximately HK\$18.0 million for the year ended 31 March 2017. Such decrease was mainly due to the fee in respect of the Construction Waste Disposal Charging Scheme by the HKSAR Government was wholly borne by our customers for new large projects which commenced during the year ended 31 March 2017 such as the Long Ping South project and the pile caps and ELS work project at No. 15 Middle Road, Tsim Sha Tsui.

### *Gross profit and gross profit margin*

Our Group's total gross profit increased by approximately HK\$10.5 million, or 29.3%, from approximately HK\$35.8 million for the year ended 31 March 2016 to approximately HK\$46.3 million for the year ended 31 March 2017, while our gross profit margin also increased from approximately 10.2% for the year ended 31 March 2016 to approximately 12.2% for the year ended 31 March 2017. The increase in our gross profit and gross profit margin was primarily due to relatively high gross profit margin of Shek Kip Mei Estate phase 3&7 project and Long Ping South project, details of which are set out below:

- Redevelopment of Shek Kip Mei Estate phase 3&7 project with China State Group had a relatively high gross profit margin of approximately 25.0% and contributed gross profit of approximately HK\$2.9 million for the year ended 31 March 2017 mainly because less material costs were incurred as a substantial part of the excavation and rock breaking work was involved for this ELS and pile caps project.
- Long Ping South project had a relatively high gross profit margin of approximately 19.0% and contributed gross profit of approximately HK\$8.1 million for the year ended 31 March 2017. The relatively high gross profit margin for this project was mainly because (i) less material costs were incurred as certain excavation works were involved in this ELS and pile caps project and (ii) the costs in respect of the Construction Waste Disposal Charging Scheme by the HKSAR Government (“Disposal Fees”) was wholly borne by Kin Wing Group, our customer for this project.

According to the Ipsos Report and to the best knowledge of our Directors, it is not uncommon in the site formation and foundation industry that Disposal Fees are paid in full by the main contractors. The party who is responsible for settling Disposal Fees is decided by the commercial terms of the contracts. During the Track Record Period, 11 of our customers agreed to bear the Disposal Fees in full for a total of 29 projects undertaken by us. The following table set forth a summary of customers which borne in full the Disposal Fees during the Track Record Period showing the identity of each customer,

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their respective revenue contribution and a range of gross profit margin for each project with original contract sum of not less than HK\$10 million for respective customers who borne in full the Disposal Fees for each of the years comprising the Track Record Period:

Customer	For the year ended 31 March								
	2015			2016			2017		
	No. of projects with revenue contribute to us (Note 2)	Revenue (HK\$'000)	Range of gross profit margin (%)	No. of projects with revenue contribute to us (Note 2)	Revenue (HK\$'000)	Range of gross profit margin (%)	No. of projects with revenue contribute to us (Note 2)	Revenue (HK\$'000)	Range of gross profit margin (%)
Kin Wing Group (Note 1)	2	259	3.7-5.7	5	113,664	3.7-10.0	7	240,762	4.9-19.0
Vibro (H.K.) Limited	—	—	—	1	22,343	17.5	1	401	34.2
Shanghai Tunnel Engineering Company Limited	1	8,101	24.4	1	7,363	24.4	1	144	125.7

*Note 1:* Kin Wing Group is our largest customer and supplier during the Track Record Period. Kin Wing Group was also our subcontractor for the hoarding works in one project during the Track Record Period. For details of the transactions between our Group and Kin Wing Group, please refer to the section headed “Business — Customers”, “Business — Relationships with customer that was also our subcontractor during the Track Record Period”, “Business — Contra-charge arrangement with our customer which is also our supplier” and “Business — Relationship with Kin Wing Group” in this prospectus.

*Note 2:* The number of projects with revenue contributed to us consisted of a total of 9 projects with original contract sum of not less than HK\$10 million for three customers who agreed to borne in full the Disposal Fees during the Track Record Period. Some of these projects may contributed revenue to us for more than one reporting period.

*Note 3:* During the Track Record Period, 11 of our customers agreed to bear the Disposal Fees in full for a total of 29 projects undertaken by us. The above table represented 9 projects with original contract sum of not less than HK\$10 million for three customers who borne in full the Disposal Fees during the Track Record Period. The remaining 20 projects represented each respective project with original contract sum of less than HK\$10 million for ten customers who borne in full the Disposal Fees, which contributed an aggregate gross profit of approximately HK\$1.9 million, HK\$2.8 million and HK\$6.0 million for each of the three years ended 31 March 2017 respectively.

Save as disclosed above, none of these customers had any other past or present relationship or transactions with the Company, its subsidiaries, their directors or shareholders and any of their respective close associates.

Nevertheless, our gross profit margin varied from project to project and was determined on a project-by-project basis. Please refer to the section headed “Financial Information — Gross profit” for more details.

### *Other income*

Our other income increased by approximately HK\$0.6 million, or 54.5%, from approximately HK\$1.1 million for the year ended 31 March 2016 to approximately HK\$1.7 million for the year ended 31 March 2017. The increase in other income was mainly due to the recognition of a one-off gain on disposal of plant and equipment for the year ended 31 March 2017 as opposed to a loss on disposal for the previous financial year; and (ii) the recognition rental income of the investment property newly acquired by the Group during the year ended 31 March 2017.

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### *Administrative expenses*

Our Group's administrative expenses increased by approximately HK\$7.1 million, or 67.7%, from approximately HK\$10.5 million for the year ended 31 March 2016 to approximately HK\$17.7 million for the year ended 31 March 2017. Such increase was mainly due to (i) an increase in entertainment expenses for building relationship with our new customers; (ii) the non-recurring listing expenses of approximately HK\$4.3 million incurred for the year ended 31 March 2017 (nil for the year ended 31 March 2016); and (iii) an increase in our staff costs due to the addition of senior management and administrative staff.

### *Finance costs*

Finance costs slightly decreased from approximately HK\$0.9 million for the year ended 31 March 2016 to approximately HK\$0.8 million for the year ended 31 March 2017. Such decrease was mainly due to the decrease in interests on obligations under finance leases as a result of the repayment of our obligations under finance leases.

### *Income tax expense*

Income tax expense increased from approximately HK\$4.2 million for the year ended 31 March 2016 to approximately HK\$6.2 million for the year ended 31 March 2017. The increase in income tax expense was mainly attributable to the increase in profit before taxation from approximately HK\$25.5 million for the year ended 31 March 2016 to approximately HK\$29.5 million for the year ended 31 March 2017. The effective tax rates were approximately 16.4% and 20.9% for the years ended 31 March 2016 and 2017 respectively. The increase in effective tax rate was mainly due to there was a non-deductible listing expenses of approximately HK\$4.3 million incurred for the year ended 31 March 2017.

### *Profit for the year*

As a result of the foregoing, our Group's profit for the year increased from approximately HK\$21.3 million for the year ended 31 March 2016 to approximately HK\$23.4 million for the year ended 31 March 2017.

## **Year ended 31 March 2016 compared with year ended 31 March 2015**

### *Revenue*

Our Group's revenue increased by around HK\$110.2 million, or 46.1%, from approximately HK\$238.8 million for the year ended 31 March 2015 to approximately HK\$349.0 million for the year ended 31 March 2016. Such increase was mainly due to the (i) increase in the number of public sector projects from 10 for the year ended 31 March 2015 to 14 for the year ended 31 March 2016 including new foundation and site formation projects such as the foundation work at Sheung Lok Street, Ho Man Tin; the ELS and pile cap works at Shatin Area 36C at Shatin; the foundation work at Yau Yue Wan Village, Tsuen Kwan O and the ELS and pile caps works at Sheung Shui Choi Yuen Road were undertaken by our Group for the year ended 31 March 2016; and (ii) increases in revenue recognized in relation to the foundation work project for public rental housing development at Phase 2 of Shek Mun Estate and the foundation works at the proposed property development at Long Ping North, Yuen Long

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for the year ended 31 March 2016 as compared to the previous financial year due to the recognition of the full year's majority of works for the year ended 31 March 2016 as opposed to the early commencement stage of this project when it was started in the previous financial year.

### *Costs of sales*

Our Group's costs of sales increased by approximately HK\$99.2 million, or 46.3%, from approximately HK\$214.1 million for the year ended 31 March 2015 to approximately HK\$313.3 million for the year ended 31 March 2016. Such increase was in line with the increase in revenue and mainly due to the increases in material costs, subcontracting costs, direct labour costs and transportation costs, which are explained further below.

Our material costs increased by approximately HK\$47.8 million, or 51.8%, from approximately HK\$92.3 million for the year ended 31 March 2015 to approximately HK\$140.1 million for the year ended 31 March 2016. Such increase was mainly due to the majority of the foundation works of the Phase 2 of Shek Mun Estate project and the foundation works of the Long Ping North project were substantially completed during the year ended 31 March 2016 and therefore more purchases of materials such as steel reinforcement, concrete mix, structural steel and timber were required for use in such projects.

Our subcontracting costs increased by approximately HK\$26.4 million, or 71.9%, from approximately HK\$36.7 million for the year ended 31 March 2015 to approximately HK\$63.1 million for the year ended 31 March 2016. Such increase was mainly due to more high contract value's projects were contracted by our Group and we subcontracted parts of the works such as steel reinforcement fixing, shoring installation, timber formwork, and drainage works because our subcontractors were usually better equipped with the necessary skill and machinery to perform the subcontracting works.

Our direct labour costs increased by approximately HK\$15.5 million, or 36.6%, from approximately HK\$42.4 million for the year ended 31 March 2015 to approximately HK\$57.9 million for the year ended 31 March 2016. Such increase was mainly due to the increase in the number of staff directly involved in our operation to cope with the increase in the number of our projects.

Our transportation costs increased by approximately HK\$5.9 million, or 26.3%, from approximately HK\$22.4 million for the year ended 31 March 2015 to approximately HK\$28.3 million for the year ended 31 March 2016. Such increase was mainly due to the increase in construction contracts revenue as well as the commencement of new projects which involves heavy transportation work such as the foundation work project for public rental housing development at Phase 2 of Shek Mun Estate and therefore more costs were incurred to transport the machinery and spoil.

### *Gross profit and gross profit margin*

Our Group's total gross profit increased by approximately HK\$11.1 million, or 45.0%, from approximately HK\$24.7 million for the year ended 31 March 2015 to approximately HK\$35.8 million for the year ended 31 March 2016. Such increase was primarily attributable to the increase in our Group's revenue as discussed above. Our gross profit margin remained relatively stable at approximately 10.3% and 10.2% for the years ended 31 March 2015 and 2016 respectively.

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### *Other income*

Our other income increased by approximately HK\$0.3 million, or 37.5%, from approximately HK\$0.8 million for the year ended 31 March 2015 to approximately HK\$1.1 million for the year ended 31 March 2016. The increase in other income was mainly due to an increase in government subsidy under the “Ex-gratia Payment Scheme for Phasing Out Pre-Euro IV Diesel Commercial Vehicles” as more motor vehicles were disposed of during the year ended 31 March 2016.

### *Administrative expenses*

Our Group’s administrative expenses increased by approximately HK\$0.4 million, or 4.0%, from approximately HK\$10.1 million for the year ended 31 March 2015 to approximately HK\$10.5 million for the year ended 31 March 2016. Such increase was mainly due to (i) an increase in the depreciation expense recognized during the year ended 31 March 2016 as a result of the additions of new plant and equipment; and (ii) an increase in motor vehicle expenses.

### *Finance costs*

Finance costs increased from approximately HK\$0.8 million for the year ended 31 March 2015 to approximately HK\$0.9 million for the year ended 31 March 2016. The increase in finance costs was mainly due to (i) an increase in interest on bank borrowings as a result of increase in bank borrowings during the year ended 31 March 2016 by approximately HK\$0.5 million; and (ii) an increase in interest on obligations under finance leases which was mainly due to the recognition of full year’s interests for the year ended 31 March 2016 in relation to the new acquisition of machinery and motor vehicles under finance leases in the second half of the year ended 31 March 2015.

### *Income tax expense*

Income tax expense increased from approximately HK\$2.8 million for the year ended 31 March 2015 to approximately HK\$4.2 million for the year ended 31 March 2016. The increase in income tax expense was mainly attributable to the increase in profit before taxation from approximately HK\$14.6 million for the year ended 31 March 2015 to approximately HK\$25.5 million for the year ended 31 March 2016. The effective tax rates were approximately 19.1% and 16.4% for the year ended 31 March 2015 and 2016 respectively. The higher effective tax rate for the year ended 31 March 2015 was mainly due to tax effect of tax losses not recognised of approximately HK\$0.2 million from Lik Shing Construction, which has been subsequently utilised for the year ended 31 March 2016.

### *Profit for the year*

As a result of the foregoing, our Group’s profit for the year increased from approximately HK\$11.8 million for the year ended 31 March 2015 to approximately HK\$21.3 million for the year ended 31 March 2016.

## **LIQUIDITY AND CAPITAL RESOURCES**

Our Group had met its liquidity requirements principally through a combination of internal resources, bank borrowings and finance leases during the Track Record Period. We monitor the liquidity position of our Group and management meetings will be held to review the cash flow of our operation.

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Our primary liquidity requirements are to finance our working capital, fund the payment of interest and principal due on our indebtedness and fund our capital expenditures and growth of our operations. We expect these sources will continue to be our principal sources of cash flow, and we may use a portion of the proceeds from the Share Offer to finance a portion of our liquidity requirements.

### Cash Flows

The following table sets forth the cash flows for the periods indicated:

	<b>For the year ended 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	6,145	10,264	33,880
Net cash used in investing activities	(2,107)	(2,926)	(12,622)
Net cash generated from (used in) financing activities	7,762	(10,927)	(9,932)
Net increase (decrease) in cash and cash equivalents	11,800	(3,589)	11,326
Cash and cash equivalents at the beginning of the year	1,791	13,591	10,002
Cash and cash equivalents at the end of the year	13,591	10,002	21,328

### Cash flows from operating activities

Our operating cash inflows are primarily derived from our revenue from the provision of foundation and site formation works and machinery leasing income, whereas our operating cash outflows mainly comprise of payment for subcontracting charges, staff costs, transportation expenses, purchase of construction materials, as well as other working capital needs. Our net cash flow used in or generated from operating activities primarily reflects our profit or loss before income tax, as adjusted for non-operating items, such as depreciation, gain or loss on disposal of plant and equipment, interest expenses, and the effects of changes in working capital such as increase or decrease in trade and other receivables, trade and other payables and balances with related companies.

Cash flows from operating activities can be significantly affected by factors such as the timing of collection of trade receivables from customers and the timing of payment of trade and other payables to suppliers and subcontractors during our ordinary course of business, which also primarily accounted for the difference in the net cash generated from operating activities among the years during the Track Record Period.

For the year ended 31 March 2015, we had net cash generated from operating activities of approximately HK\$6.1 million, primarily as a result of (i) profit before taxation of approximately HK\$14.6 million, positively adjusted for depreciation of plant and equipment of approximately HK\$6.4 million, finance costs of approximately HK\$0.8 million and loss on disposals of plant and equipment of approximately HK\$0.1 million, partially offset by government subsidy of approximately HK\$0.2 million; (ii) increase in trade and other receivables of approximately HK\$7.0 million; (iii) increase in amounts due from customers for contract work of approximately HK\$8.4 million; (iv) decrease in amounts due to

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customers for contract work of approximately HK\$1.6 million; (v) decrease in held-for-trading investment of approximately HK\$0.7 million; (vi) increase in trade and other payables of approximately HK\$0.9 million.

For the year ended 31 March 2016, we had net cash generated from operating activities of approximately HK\$10.3 million, primarily as a result of (i) profit before taxation of approximately HK\$25.5 million, positively adjusted for depreciation of plant and equipment of approximately HK\$8.2 million, finance costs of approximately HK\$0.9 million and loss on disposals of plant and equipment of approximately HK\$0.1 million, partially offset by government subsidy of approximately HK\$0.6 million; (ii) increase in trade and other receivables of approximately HK\$18.5 million; (iii) increase in amounts due from customers for contract work of approximately HK\$1.2 million; (iv) increase in amounts due to customers for contract work of approximately HK\$2.9 million; and (v) decrease in trade and other payables of approximately HK\$0.8 million.

For the year ended 31 March 2017, we had net cash generated from operating activities of approximately HK\$33.9 million, primarily as a result of (i) profit before taxation of approximately HK\$29.5 million, positively adjusted for depreciation of plant and equipment of approximately HK\$8.8 million, finance costs of approximately HK\$0.8 million and loss on revaluation on investment property of approximately HK\$0.1 million, partially offset by gain on disposals of plant and equipment of approximately HK\$1.3 million and government subsidy of approximately HK\$0.2 million; (ii) decrease in trade and other receivables of approximately HK\$5.4 million; (iii) increase in amounts due from customers for contract work of approximately HK\$11.7 million; (iv) decrease in amounts due to customers for contract work of approximately HK\$4.4 million; and (v) increase in trade and other payables of approximately HK\$9.4 million.

### **Cash flows from investing activities**

Our cash inflows from investing activities primarily include cash generated from disposal of plant and equipment, whereas our cash outflows from investing activities primarily include cash used in the purchase of plant and equipment.

For the year ended 31 March 2015, we recorded net cash used in investing activities of approximately HK\$2.1 million, which was primarily attributable to cash used in our purchase of plant and equipment of approximately HK\$3.1 million, offset by the proceeds from disposals of plant and equipment of approximately HK\$0.9 million and government subsidy received of approximately HK\$0.2 million.

For the year ended 31 March 2016, we recorded net cash used in investing activities of approximately HK\$2.9 million, which was primarily attributable to cash used in our purchase of plant and equipment of approximately HK\$3.9 million, offset by proceeds from disposal of plant and equipment of approximately HK\$0.4 million and government subsidy received of approximately HK\$0.6 million.

For the year ended 31 March 2017, we recorded net cash used in investing activities of approximately HK\$12.6 million, which was primarily attributable to cash used in our purchase of plant and equipment of approximately HK\$11.9 million and cash used in our purchase of investment property of approximately HK\$4.0 million, offset by proceeds from disposal of plant and equipment of approximately HK\$3.1 million and government subsidy received of approximately HK\$0.2 million.

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### Cash flows from financing activities

Our cash inflows from financing activities mainly include proceeds from new borrowings and advance from a director, while our cash outflows from financing activities primarily include repayment of borrowings, repayment of obligations under finance leases, interest payment, and repayment to a director.

For the year ended 31 March 2015, we had net cash generated from financing activities of approximately HK\$7.8 million, which was mainly attributable to proceeds from new borrowings of approximately HK\$4.8 million, advance from a director of approximately HK\$9.7 million, partially offset by repayment of borrowings of approximately HK\$3.1 million, repayment of obligations under finance leases of approximately HK\$2.8 million and interest payment of approximately HK\$0.8 million.

For the year ended 31 March 2016, we had net cash used in financing activities of approximately HK\$10.9 million, which was mainly attributable to the repayment of borrowings of approximately HK\$3.7 million, repayment of obligations under finance leases of approximately HK\$5.0 million, repayment to a director of approximately HK\$5.5 million and interest payment of approximately HK\$0.9 million, partially offset by the proceeds from new borrowings of approximately HK\$4.2 million.

For the year ended 31 March 2017, we had net cash used in financing activities of approximately HK\$9.9 million, which was mainly attributable to the repayment of borrowings of approximately HK\$10.1 million, repayment of obligations under finance leases of approximately HK\$3.1 million, repayment to a director of approximately HK\$7.9 million and interest payment of approximately HK\$0.9 million, partially offset by the proceeds from new borrowings of approximately HK\$12.1 million.

### WORKING CAPITAL

Our Directors are of the opinion that, taking into consideration the internal resources, the unutilised banking facilities presently available to our Group and the estimated net proceeds of the Share Offer, we have sufficient working capital for our present requirements for at least the next 12 months commencing on the date of this prospectus.

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### NET CURRENT ASSETS

The following table sets forth the breakdown of our Group's current assets and current liabilities as at each reporting date:

	As at 31 March			As at 31 July
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
<b>Current assets</b>				
Amounts due from customers for contract work	22,590	23,795	35,452	31,313
Trade and other receivables	18,168	36,620	31,213	41,601
Bank balances and cash	13,591	10,002	21,328	19,761
	54,349	70,417	87,993	92,675
<b>Current liabilities</b>				
Amounts due to customers for contract work	4,955	7,861	3,416	3,510
Trade and other payables	14,897	14,144	23,507	21,632
Amount due to a director	14,510	9,005	1,059	—
Borrowings	7,263	7,766	12,147	7,251
Obligations under finance leases	3,963	3,120	735	992
Tax payable	3,314	1,065	4,100	5,838
	48,902	42,961	44,964	39,223
Net current assets	5,447	27,456	43,029	53,452

The key components of our current assets included amounts due from customers for contract work, trade and other receivables and bank balances and cash. The key components of our current liabilities included amounts due to customers for contract work, trade and other payables, amount due to a director, borrowings, obligations under finance leases and tax payable.

We recorded net current assets of approximately HK\$5.5 million and HK\$27.5 million as at 31 March 2015 and 31 March 2016 respectively. The increase in net current assets was mainly due to (i) an increase in trade and other receivables from approximately HK\$18.2 million as at 31 March 2015 to approximately HK\$36.6 million as at 31 March 2016; (ii) a decrease in amount due to a director from approximately HK\$14.5 million as at 31 March 2015 to approximately HK\$9.0 million as at 31 March 2016; and (iii) a decrease in tax payable from approximately HK\$3.3 million as at 31 March 2015 to approximately HK\$1.1 million as at 31 March 2016, partially offset by an increase in amounts due to customers for contract work from approximately HK\$5.0 million as at 31 March 2015 to approximately HK\$7.9 million as at 31 March 2016.

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As at 31 March 2017, we recorded net current assets of approximately HK\$43.0 million. The increase was primarily attributable to (i) an increase in amounts due from customers for contract work from approximately HK\$23.8 million as at 31 March 2016 to approximately HK\$35.5 million as at 31 March 2017; (ii) an increase in bank balances and cash from approximately HK\$10.0 million as at 31 March 2016 to approximately HK\$21.3 million as at 31 March 2017; (iii) a decrease in amount due to a director from approximately HK\$9.0 million as at 31 March 2016 to approximately HK\$1.1 million as at 31 March 2017, partially offset by (iv) an increase in tax payable from approximately HK\$1.1 million as at 31 March 2016 to approximately HK\$4.1 million as at 31 March 2017; (v) a decrease in trade and other receivables from approximately HK\$36.6 million as at 31 March 2016 to approximately HK\$31.2 million as at 31 March 2017; (vi) an increase in borrowings from approximately HK\$7.8 million as at 31 March 2016 to approximately HK\$12.1 million as at 31 March 2017.

As at 31 July 2017, being the latest practicable date for ascertaining our current assets position, we recorded net current assets of approximately HK\$53.5 million, representing an increase of approximately HK\$10.5 million as compared with the net current assets as at 31 March 2017. Such increase in our net current assets position was mainly due to (i) an increase in trade and other receivables from approximately HK\$31.2 million as at 31 March 2017 to approximately HK\$41.6 million as at 31 July 2017 and (ii) a decrease in borrowings from approximately HK\$12.1 million as at 31 March 2017 to approximately HK\$7.3 million as at 31 July 2017.

### ANALYSIS OF CERTAIN ITEMS FROM THE STATEMENTS OF FINANCIAL POSITION

#### Plant and equipment

Our Group's plant and equipment mainly consist of machinery and equipment and motor vehicles. Our foundation and site formation works require the use of machinery, such as excavators and loaders. The carrying amount of our Group's plant and equipment decreased from approximately HK\$24.8 million as at 31 March 2015 to approximately HK\$22.6 million as at 31 March 2016 and subsequently increased to approximately HK\$23.9 million as at 31 March 2017. Our Group invested continuously in machinery and equipment during the Track Record Period. For the years ended 31 March 2015, 2016 and 2017, our Group acquired additional plant and equipment of approximately HK\$11.6 million, HK\$6.5 million and HK\$11.9 million, respectively.

#### Investment property

During the year ended 31 March 2017, our Group purchased an investment property, located at Unit No. 12 on the 10th Floor, One Midtown, No. 11 Hoi Shing Road, Tsuen Wan, New Territories, which is leased to an Independent Third Party to generate rental income to our Group. As at 31 March 2017, the fair value of the investment property amounted to approximately HK\$6.3 million.

A reconciliation of our investment property (the "Reconciliation") as at 31 March 2017 and such investment property in our combined financial information as at 31 July 2017 as required under Rule 5.07 of the Listing Rules, is set out solely for illustrative purpose. Our Group's accounting policy of the investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at its fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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Ascent Partners Valuation Service Limited, an independent firm of professional valuer, has valued the property interests held by the Company as at 31 July 2017. The text of letter, summary of valuation and the valuation certificate are set out in Appendix III to this Prospectus. The reconciliation between valuation of property interests held by the Company as at 31 July 2017 and the net book value of such property interest as at 31 March 2017 is as follow:

	<i>HK\$'000</i>
Valuation as at 31 March 2017	6,300
Valuation Surplus	<u>230</u>
Valuation as at 31 July 2017	<u><u>6,530</u></u>

### Amounts due from/to customers for contract work

Our revenue from foundation and site formation works is recognised based on the stage of completion of the contracts. The stage of completion is established by reference to construction works certified. There is normally a timing difference between the completion of site works and the issuance of progress certificates and billing of the construction projects. Amounts due from customers for contract work represent the surplus derived when the contract costs incurred to date plus recognised profits less recognised losses exceed progress billings. Amounts due to customers for contract work represent the excess of progress billings over contract costs incurred to date plus recognised profit less recognised loss. The following table sets out our Group's amounts due from/to customers for contract work as at each reporting date:

	<b>At 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract costs incurred plus recognised profits less recognised losses	212,278	338,272	393,344
Less: Progress billings	<u>(194,643)</u>	<u>(322,338)</u>	<u>(361,308)</u>
	<u><u>17,635</u></u>	<u><u>15,934</u></u>	<u><u>32,036</u></u>
Amounts due from customers for contract work	22,590	23,795	35,452
Amounts due to customers for contract work	<u>(4,955)</u>	<u>(7,861)</u>	<u>(3,416)</u>
	<u><u>17,635</u></u>	<u><u>15,934</u></u>	<u><u>32,036</u></u>

The amounts due from/to customers for contract work vary from period to period due to the impact from the difference in volume and value of construction works we performed close to the end of each reporting periods and timing when we received payment certificates from our customers. The amount of works for our foundation and site formation projects subsequently certified up to the Latest Practicable Date was approximately HK\$35.5 million, representing 100% of the total amounts due from customers for contract work as at 31 March 2017.

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### Trade and other receivables

The following table sets out the breakdown of trade and other receivables as at each reporting date:

	<b>At 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	10,132	23,662	12,505
Retention receivables	7,820	12,272	16,202
Prepaid listing expenses	—	—	1,239
Prepayments, deposits and other receivables	216	686	1,267
	18,168	36,620	31,213

After our customers issued the payment certificate, we will then issue an invoice to our customers. Our customer will usually retain 5% or 10% of each interim payment and up to a maximum retention of 2.5%, 5% or 10% of the total original contract value as retention money. The retention money is released to us after the issuance of last payment certificate and after 6 months or 12 months following the completion of the work. Please refer to the section “Business — Customers — Major contract terms with our customers” for details.

#### *Trade receivables*

Trade receivables increased significantly from approximately HK\$10.1 million as at 31 March 2015 to approximately HK\$23.7 million as at 31 March 2016 and subsequently decreased to approximately HK\$12.5 million as at 31 March 2017. The increase in trade receivables as at 31 March 2016 was mainly due to the growth of our revenue and more recognition of revenue due to the year ended 31 March 2016. The decrease in trade receivables as at 31 March 2017 was mainly due to contract works were not yet certified by our customers before year end.

Our Directors determine specific provision for doubtful debts on a case-by-case basis having regard to a number of factors, including the ageing of the receivable balance, results of follow-up procedures, customers’ credit history and customers’ financial position. During the Track Record Period, we did not make any provision for doubtful debts and we did not experience any difficulty in settling our trade debtors which caused a significant adverse impact to our business operation. In the event that we notice any events or changes in circumstances which indicate the balances may not be collectible such as any financial or liquidity problem of the customers which may result in difficulty in settling the outstanding payments, relevant provision of impairment of trade debtors would be made.

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Trade receivables are past due when our customers fail to make payments when due. We generally offer our customers a credit term of 15–60 days after issuance of our invoice. The following table sets forth the turnover days of the trade receivables for the periods indicated:

	<b>Year ended 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Trade receivables turnover days ( <i>Note</i> )	14.9 days	17.7 days	17.3 days

*Note:* Average trade receivables equal the average of trade receivables at the beginning and the end of period. Average trade receivables turnover days for the years ended 31 March 2015, 2016 and 2017 equal average trade receivables divided by revenue for the relevant period and multiplied by 365 days.

Our trade receivables turnover days increased from approximately 14.9 days for the year ended 31 March 2015 to approximately 17.7 days for the year ended 31 March 2016. The increase was mainly due to the increase in our average trade receivables as a result of receiving larger amounts of payment certificates from our customers for larger projects with high contract value before 31 March 2016. Our trade receivables turnover days slightly reduced to approximately 17.3 days for the year ended 31 March 2017. Our trade receivables turnover days during the Track Record Period were generally within our general credit term granted to customers.

Approximately 85.8% of the trade debtors as at 31 March 2017 were subsequently settled as at the Latest Practicable Date.

The ageing analysis of our trade receivables based on the certified date which approximates the respective revenue recognition dates and invoice dates as at each reporting date is as follows:

	<b>At 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	3,648	8,460	11,359
31–60 days	6,417	12,677	—
61–180 days	67	2,181	812
181–365 days	—	344	334
	<u>10,132</u>	<u>23,662</u>	<u>12,505</u>

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The following table sets out the amounts of trade receivables that were neither past due nor impaired and an ageing analysis of trade receivables that were past due but not impaired (i.e. over the credit period) as at the dates indicated:

	<b>At 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Over the credit period:</b>			
1–30 days past due	6,417	10,253	—
31–60 days past due	67	382	—
61–180 days past due	—	1,992	812
181–365 days past due	—	344	334
	6,484	12,971	1,146
<b>Neither past due nor impaired</b>	<b>3,648</b>	<b>10,691</b>	<b>11,359</b>
	<b>10,132</b>	<b>23,662</b>	<b>12,505</b>

As at 31 March 2015, 2016 and 2017, the trade receivables that were past due but not impaired were approximately HK\$6.5 million, HK\$13.0 million and HK\$1.1 million, respectively. They were related to a number of independent customers that have no recent history of default with us. Based on past experience, our management believe that these balances will be fully recoverable, and hence no provision for impairment is necessary.

Our management closely monitors the recoverability of overdue trade receivables on a regular basis and provides for impairment for these trade receivables when there are indications that the balances may not be recoverable. For each of the three years ended 31 March 2017, we did not recognise any impairment of trade receivables. Our Directors confirm that we have no disputes with our customers in respect of the work performed and the outstanding receivables will be fully recoverable.

### *Retention receivables*

Retention receivables amounted to approximately HK\$7.8 million, HK\$12.3 million and HK\$16.2 million as at 31 March 2015, 2016 and 2017 respectively. The increase in our retention receivables during the Track Record Period was mainly attributable to the commencement of new projects with larger scale and higher contract values as mentioned under the paragraph headed “Principal components of results of operations — Revenue” in this section above.

We determine the provision for impairment of retention receivables on a project-by-project basis having regard to a number of factors, including the terms of release of retention money as agreed with customers, the ageing of the receivable balance, results of follow-up procedures, customers’ credit history, customers’ financial position and the current market condition. During the Track Record Period, no retention receivables was individually determined to be impaired.

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Retention money is usually withheld by customers for a period of time until the end of the defect liability period or the receipt of final account. Approximately 6.0% of the retention receivables as at 31 March 2017 were subsequently settled as at the Latest Practicable Date. The remaining outstanding retention receivables of HK\$15.2 million as at 31 March 2017 mainly represented retention in relation to 34 projects as at the Latest Practicable Date and our Directors expected that the majority of these retention receivables will be released before 31 March 2018. In view of the nature of retention receivables, past payment record and our collective experience with these customers, our Directors consider that the outstanding balances of retention receivables are collectible.

### *Prepaid listing expenses*

Our prepaid listing expenses amounted to nil, nil and approximately HK\$1.2 million as at 31 March 2015, 2016 and 2017 respectively. Our prepaid listing expenses relate to completion amount of the Listing expenses which can be capitalised upon Listing.

### *Prepayments, deposits and other receivables*

The following table sets out a summary of our prepayments, deposits and other receivables at as at each reporting period indicated:

	<b>At 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Prepayments	4	82	592
Deposits	211	72	467
Other receivables	<u>1</u>	<u>532</u>	<u>208</u>
	<u>216</u>	<u>686</u>	<u>1,267</u>

Prepayments mainly represent the Listing fee that were prepaid to professional parties for their services. Deposits mainly represent rental and utilities deposits and deposit on acquisition of machinery. Other receivables mainly represent government subsidy receivables upon disposal of certain motor vehicles and the insurance compensation receivable under the “ex-gratia payment scheme for phasing out pre-euro IV diesel commercial vehicles”.

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### Trade and other payables

The following table sets out a breakdown of our trade and other payables as at each reporting date:

	<b>At 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	11,039	9,274	13,595
Retention payables	—	—	1,931
Accrued expenses and other payables	<u>3,858</u>	<u>4,870</u>	<u>7,981</u>
	<u><u>14,897</u></u>	<u><u>14,144</u></u>	<u><u>23,507</u></u>

### *Trade payables*

Trade payables principally comprise payables to (i) the suppliers of materials, diesel fuel, machinery spare parts and transportation services; and (ii) subcontractors for our projects. Trade payables decreased from approximately HK\$11.0 million as at 31 March 2015 to approximately HK\$9.3 million as at 31 March 2016, mainly attributable to early settlement with our suppliers before the financial year end. Trade payables increased from approximately HK\$9.3 million as at 31 March 2016 to approximately HK\$13.6 million as at 31 March 2017, mainly due to the fact that our Group entered into transactions with new suppliers in relation to the subcontracting works for site formation and foundation works at the Hong Kong–Zhuhai–Macao Bridge (HY/2013/02 & HY/2013/03) before the financial year end.

The following table sets out the turnover days of trade payables for the periods indicated:

	<b>Year ended 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
Trade payable turnover days ( <i>Note</i> )	20.1 days	14.8 days	15.5 days

*Note:* Average trade creditors equal the average of trade creditors at the beginning and the end of the period. Average trade creditors turnover days for the three years ended 31 March 2015, 2016 and 2017 equal average creditors divided by costs of sales (excluding direct labour costs and depreciation expenses) for the relevant period and multiplied by 365 days.

Our trade payables turnover days decreased from approximately 20.1 days for the year ended 31 March 2015 to approximately 14.8 days for the year ended 31 March 2016. Such decrease was mainly due to the early settlement to our suppliers before 31 March 2016 and the increase in our costs of sales (excluding direct labour costs and depreciation expenses) as mentioned under the paragraph headed “Principal components of results of operations — Cost of sales” in this section above. Our trade payable turnover days subsequently increased slightly to approximately 15.5 days for the year ended 31 March 2017. The increase was mainly due to the increase in our average trade payables as a result of transactions with new suppliers before 31 March 2017 as discussed above. Our suppliers normally granted us a credit period of 30 to 45 days. All our trade payable turnover days were shorter than the credit period granted by our suppliers.

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The following table illustrates the ageing analysis of the trade payables based on invoice date as at each reporting date:

	<b>At 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
0–30 days	10,617	5,753	10,443
31–60 days	405	2,123	421
61–90 days	7	713	2,731
90–365 days	10	685	—
	<u>11,039</u>	<u>9,274</u>	<u>13,595</u>

All of the trade payables as at 31 March 2017 were subsequently settled up to the Latest Practicable Date.

### *Retention payables*

Retention payables represent the amounts we withheld from progress payments to our subcontractors. Such retention money is released to our subcontractors normally within three months upon satisfactory completion of the subcontracting works.

Our retention payables were nil, nil and approximately HK\$1.9 million as at 31 March 2015, 2016 and 2017 respectively. Our Group did not withhold retention money from our subcontractors during the two years ended 31 March 2016. In order to align with normal industry practice as a result of our Group's expansion in the scale of work and higher contract value projects, our Group retains retention money from our subcontractors at an agreed rate of each interim payment made to us and up to an agreed maximum limit in some cases from our subcontractors commencing from the year ended 31 March 2017.

### *Accrued expenses and other payable*

The following table sets forth a summary of accrued expenses and other payables as at each reporting date:

	<b>At 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accrued expenses	3,009	4,592	7,404
Other payables	849	278	577
	<u>3,858</u>	<u>4,870</u>	<u>7,981</u>

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Accrued expenses mainly represent the accrued salaries, MPF payable and other accrued fees due to professional services providers. Other payables mainly represent disbursements paid on behalf by our staff.

### *Tax payable*

Our Group's tax payable as at 31 March 2015, 2016 and 2017 amounted to approximately HK\$3.3 million, HK\$1.1 million and HK\$4.1 million, respectively. Our tax paid for the respective periods amounted to nil, HK\$6.4 million and HK\$2.6 million, respectively. The difference between the tax provision made by our Group and the tax paid by our Group for the Track Record Period was attributable to (i) net understatement in the tax payable reported in the tax returns filed to the IRD by Lik Shing Engineering longitudinally from 2013/14 to 2015/16; and (ii) the timing difference between our Group making its tax provision and tax payments.

### *Reasons and particulars of the tax incident*

We had, during the course of preparing for the Listing, engaged a new statutory auditor during the transition of HKFRSs for Private Entities to HKFRSs and identified errors in the financial statements of our operating subsidiaries, Lik Shing Construction, Lik Shing Engineering and Lik Shing Construction Engineering (collectively known as the “**Operating Companies**”), for the years prior to the year ended 31 March 2017. Such errors happened principally as a result of the failure of our accounting staff to adopt the appropriate accounting standard in preparing the relevant statutory financial statements of Lik Shing Engineering at the material time. In the years prior to the year ended 31 March 2017, the financial statements of Lik Shing Engineering had not been properly prepared under Hong Kong Accounting Standard (“**HKAS**”) 11 — Construction Contracts. Revenue and costs were recognised based on actual billings amounts or payment certificates from customers available or when the projects were completed without ascertaining the actual stage of completion of the projects from the project team. As our Directors had not been informed by the previous auditor of the auditing procedures adopted, our Directors consider that we are not in the position to comment on the basis for the unqualified opinions expressed by the previous auditor or to give a full account as to why the previous auditor was not aware of our Group's failure to adopt HKAS 11.

The occurrence of cut-off inaccuracy errors in respect of costs recognition attributable to the respective construction projects of Lik Shing Engineering, which was due to non-compliance with “HKAS 11 — Construction Contracts”, has also led to errors in the recognition of inter-company service charges attributable to the respective construction projects paid by Lik Shing Engineering to Lik Shing Construction and Lik Shing Construction Engineering respectively. As such, the rectification of the respective statutory financial statements of Lik Shing Engineering (i.e. including the rectification of inter-company service charges paid attributable to the respective construction projects) has in turn resulted in the need to rectify the respective inter-company service charges received by Lik Shing Construction and Lik Shing Construction Engineering from Lik Shing Engineering in the respective books of Lik Shing Construction and Lik Shing Construction Engineering. Consequently, the respective statutory financial statements of the companies for the applicable year(s) were required to be rectified correspondingly. In addition, another main circumstance that led to the errors identified in the respective financial statements of Lik Shing Construction and Lik Shing Construction Engineering in the applicable prior year(s) was because of the rectification of inter-company service charging basis between Lik Shing Engineering and Lik Shing Construction/Lik Shing Construction Engineering respectively with reference

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to the prevailing markets rates, which were justifiable under commercial terms and set on an arm's length basis. As a result of the foregoing, there was misstatement in the assessable profits or tax loss reported in the tax returns filed to the IRD for the relevant years by the Operating Companies.

### *Rectification measures for the tax incident*

Upon revealing of the errors, the Operating Companies have rectified their respective statutory financial statements (the “**Rectified Accounts**”). Specifically for Lik Shing Engineering, appropriate accounting policies and practices have been adopted to recognise revenue and cost of sales on the stage of completion basis. The statutory financial statements of the Operating Companies have been restated by the new statutory auditor and a summary of the nature and amounts of accounting adjustments made as a result of the errors identified in the financial statements of the Operating Companies are as follows:

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	Lik Shing Engineering			Lik Shing Construction			Lik Shing Construction Engineering
	Retained earnings as at 1 April 2014	Profit for the year ended 31 March 2015	Retained earnings as at 1 April 2015	Profit for the year ended 31 March 2015	Retained earnings as at 1 April 2015	(Loss)/Profit for the year ended 31 March 2015	(Loss)/Profit for the period from 19 September 2014 to 31 March 2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As previously reported in the financial statements	8,787	15,747	24,534	13,511	2,140	(58)	(140)
Nature and effects of the accounting adjustments:							
(a) In previous years, the financial statements have not been properly prepared under HKAS 11 — Construction Contracts. Corrections of error have been made on revenue and its related costs in order to meet the requirement of HKAS 11. <i>(note)</i>							
— Impact on revenue	21,067	2,387	23,454	11,542	—	—	—
— Impact on cost of sales	(18,004)	(5,502)	(23,506)	(470)	—	—	—
	3,063	(3,115)	(52)	11,072	—	—	—
(b) Errors have been discovered for the recognition of revenue, cost and expenses due to cut off inaccuracy and misstatement.							
— Impact on revenue	7,972	64,371	72,343	128,317	(5,475)	(22,771)	(23,525)
— Impact on cost of sales	(8,102)	(65,052)	(73,154)	(132,199)	5,408	22,191	25,900
— impact on other income	(7)	(156)	(163)	—	—	990	5
— impact on expenses	1,882	510	2,392	1,034	(32)	424	1,505
	1,745	(327)	1,418	(2,848)	(99)	834	3,885
(c) Income tax expenses, income tax payables and deferred tax liabilities have been amended to address the adjustments made above and correction of calculation errors made previously.	(1,003)	532	(471)	(1,224)	(181)	(281)	5
As restated on the Rectified Accounts	12,592	12,837	25,429	20,511	1,860	495	1,634
<i>Note:</i>							63

Our previous statutory financial statements recognised revenue when it is probable that the economic benefits will flow to the operating subsidiary and the revenue and costs can be measured reliably. In particular, construction income is recognised based upon the receipt of payment certificates issued by the main contractors in accordance with the amounts stated in those certificates. As such, the relevant financial statements have not been properly prepared under HKAS 11 — Construction Contracts, the revenue of which should be recognised based on the stage of completion of the contracts at the end of each reporting period, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably.

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We have employed Ms. Annie Li (“**Ms. Li**”), a certified public accountant, as financial controller to review our Group’s accounting records, including the accounting records prior to the Track Record Period, where no such accounting errors requiring further adjustments were identified. Ms. Li also reviewed our accounting records during the Track Record Period and up to the Latest Practicable Date and found that particularly for Lik Shing Engineering, the contract revenue and corresponding costs for all other projects have been recognised by reference to the stage of completion and no similar accounting errors were identified. Our Reporting Accountants have performed procedures deemed necessary by them on the opening balances of assets and liabilities on the statements of financial position of Lik Shing Engineering as at 1 April 2014 shown on the Rectified Accounts including but not limited to the review of the project summary containing details of all projects undertaken by Lik Shing Engineering and identify the projects which commenced on or before 31 March 2016 to assess if there are any accounting errors on contract revenue and their corresponding costs. Based on the procedures performed, no material findings were identified by the Reporting Accountants.

We also engaged our Tax Adviser to review our tax position for the relevant years. Our Tax Adviser has reviewed prior years’ tax filing records of the Operating Companies for the applicable years of assessment (2014/15 and 2015/16 for Lik Shing Construction Engineering; 2012/13 to 2015/16 for Lik Shing Construction and Lik Shing Engineering), including their respective profits tax returns, profit tax computations, correspondences issued by the IRD (e.g. notices of assessment/statements of loss) and the then Rectified Accounts. Based on the respective accounts prepared by our statutory auditor, our Tax Adviser concurred that all the relevant tax adjustments arising from the errors prior to 1 April 2014 since incorporation have wholly been adjusted collectively in the revised tax computations for both the years of assessment 2012/13 and 2013/14 (i.e. for the years ended 31 March 2013 and 2014 respectively) of Lik Shing Construction and Lik Shing Engineering previously submitted to the IRD. The relevant tax adjustments arising from the errors prior to 1 April 2014 did not apply to Lik Shing Construction Engineering as it was incorporated on 19 September 2014. There should be no outstanding corresponding adjustments, error, omission, or understatement of our Group’s assessable profits in the years prior to 31 March 2013 for Lik Shing Construction and Lik Shing Engineering that have not been rectified and reported to the IRD in the aforesaid revised tax computations from tax perspective. The tax position of our Group for the years prior to 31 March 2013 (i.e. in respect of Lik Shing Construction and Lik Shing Engineering) remains unaffected and valid.

Our Tax Adviser has assisted the Operating Companies to submit voluntarily their revised tax computations (“**Revised Tax Computations**”) for the year of assessment 2015/16 for Lik Shing Construction Engineering, and for the years of assessment 2012/13 to 2015/16 for Lik Shing Construction and Lik Shing Engineering to the IRD with rectified financial figures on 2 May 2017. Based on our Tax Adviser’s assessment, longitudinally from 2012/13 to 2015/16, the net additional tax liabilities attributable to Lik Shing Engineering is HK\$1,338,493, whereas the revised tax loss carried forward to 2016/17 for Lik Shing Construction and Lik Shing Construction Engineering are HK\$231,766 and HK\$695,249 respectively. Provision has been made for the undercharged tax amounts in the corresponding financial years for Lik Shing Engineering.

### *Views of our Tax Adviser on the tax incident*

Our Group has obtained a Hong Kong tax opinion (the “**Tax Opinion**”) issued by the Tax Adviser with respect to the amount of tax undercharged and the potential penalty that may be imposed by the IRD. Based on the Tax Opinion and the Tax Adviser’s experiences in dealing with similar cases, the

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Operating Companies have breached sections 80(2) of the IRO and maybe subject to penalty under relevant provisions of the IRO with respect to the breach. The Operating Companies could either be charged by the IRD under section 80(2) of the IRO, or alternatively under section 82A of the IRO if no prosecutions under section 80(2) of the IRO has been instituted in respect of the same facts. The maximum exposure under institution of section 80(2) of the IRO is a fine of HK\$10,000 and treble the amount of tax undercharged. The maximum exposure under institution of section 82A of the IRO is a fine of treble the amount of tax undercharged. Accordingly, the maximum exposure of Lik Shing Engineering was approximately HK\$4 million (i.e. treble the amount of tax undercharge of HK\$1,338,493) respective to section 80(2) or section 82A of the IRO whilst the respective maximum exposure of Lik Shing Construction and Lik Shing Construction Engineering was HK\$10,000 for each company as there was no additional tax payable by Lik Shing Construction and Lik Shing Construction Engineering.

In view that the Operating Companies voluntarily submitted their revised tax computation, our Tax Adviser was in the opinion that it would be unlikely for the IRD to impose the said tax penalty on the Operating Companies for the relevant years after considering that (i) the tax incident was the result of inadvertent oversight of our accounting staff during the preparation of the relevant statutory financial statements, which was neither deliberate nor intentional; (ii) the Operating Companies have voluntarily made full disclosure to the IRD on the tax incident; and (iii) no similar offence charged by the IRD under sections 80(2) or 82A of the IRO has been committed by the Operating Companies in the past.

According to our Tax Adviser, the IRD has the power under section 80(5) of the IRO to compound the above matter that it may accept Lik Shing Engineering paying interests for the undercharged tax in lieu of taking proceedings against it under sections 80(2) or 82A of the IRO. On this basis, our Tax Adviser offered such proposal on behalf of Lik Shing Engineering to the IRD proposing the payment of estimated interest penalty in the amount of HK\$129,000 to the IRD together with the respective Revised Tax Computations. Such quantum of interest penalty is estimated based on the number of months between the due date for payment of tax as stated on the delayed notices of assessment and the submission of first proposal by the Operating Companies. As at the Latest Practicable Date, the IRD case assessor of Lik Shing Construction Engineering has issued a written notice in settlement of the submission of 2 May 2017. The IRD case assessor of Lik Shing Construction advised that no written notice will be issued for the years of assessment 2012/13 to 2015/16 at present as Lik Shing Construction incurred tax losses for the relevant years of assessment and no additional profits tax liabilities is in concern. With respect to the various discussions between the IRD case assessor of Lik Shing Engineering and our Tax Adviser, the Tax Adviser has submitted the respective additional information as requested to the IRD on 9 August 2017 and a letter in relation to the revised estimated interest of HK\$291,000 in total on 8 September 2017. The revised estimated interest penalty of HK\$291,000 is comprised of HK\$129,000 submitted with first proposal and additional interest of HK\$162,000. The revised estimated interest of HK\$291,000 was computed based on the due date for payment of tax under normal circumstance to the date of the revised proposal submitted by the Operating Companies. The IRD case assessor has verbally confirmed that unless additional issues are discovered at a later stage of the IRD's review on the said submission which the IRD case assessor believes is unlikely, additional assessments will be issued after completion of review on the said submissions by the IRD. As at the Latest Practicable Date, the IPD has issued revised statement of loss for 2012/13, additional notices of assessment for 2013/14 and 2015/16 as well as notice of revised assessment and refund of tax for 2014/15 to Lik Shing Engineering which were in line with the relevant submissions to the IRD. In addition, subject to the final acceptance by the IRD with respect to the

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revised proposal, the Operating Companies would then not be charged under section 80(2) nor penalised under section 82A of the IRO. In the opinion of Tax Adviser and with reference to their professional knowledge and experiences in handling similar cases, there is a fair chance that the Operating Subsidiaries would be subject to a total interest penalty in the amount of HK\$291,000, with lesser probability of being penalised for a higher amount, and the overall tax penalty in relation the tax incident should not be higher than HK\$1 million. In this regards, our Group had made a provision of approximately HK\$645,000 of the penalty charges in the financial statements for the year ended 31 March 2017, which is based on the average of HK\$291,000 (i.e., the interest penalty amount as stated in the revised proposal submitted to IRD) and HK\$1 million (i.e. the maximum penalty as estimated by the Tax Adviser). Our Directors are of the view, and the Sole Sponsor and Reporting Accountants concur, that the amount of provision is reasonable and appropriate after taken into account (i) the view of our Tax Adviser mentioned above and (ii) the latest available information related to the tax incident.

### *Indemnity provided by our Controlling Shareholders*

In any event, our Controlling Shareholders have provided indemnity under the Deed of Indemnity in favour of our Group from and against, among other things, any tax liability (including undercharged tax, the tax interest of HK\$291,000 and the maximum tax penalty of HK\$1 million as estimated by our Tax Adviser) which might be payable by any member of our Group in respect of, amongst other matters, any income, profits or gains earned, accrued or received up to the Listing Date. For detailed terms of the Deed of Indemnity, please refer to the subsection headed “Statutory and General Information — E. Other information — 1. Tax and other indemnities” of Appendix V to this prospectus.

### *Internal Control measures to prevent recurrence of the incident*

To avoid similar incidents happening, we have adopted the following measures:

- (a) adopted written policies detailing the relevant accounting standards and procedures in respect of the recognition of revenue from site formation and foundation works projects including having monthly meeting with the project managers to understand the stage of completion of each project for appropriate recognition of revenue and costs;
- (b) employed Ms. Li, a certified public accountant, as our financial controller in January 2017, to oversee the accounting department and monitor financial reporting procedures to ensure the adoption of proper accounting policies. Please refer to the subsection headed “Directors and Senior Management — Senior management” in this prospectus for the biography of Ms. Li;
- (c) Ms. Li shall review the monthly management accounts prepared by the accounting team and involved in preparation of financial statements of the Group to ensure that they are prepared in accordance with the HKFRSs, which will then be reviewed and approved by the Board of Directors;
- (d) regularly arrange its accounting team to attend training courses organised by accounting professional to enhance their accounting knowledge and to ensure compliance with accounting standards; and

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- (e) Ms. Li will also be responsible for reviewing the tax returns filed with the IRD, and if necessary, tax consultant will be consulted to ensure tax related laws and requirements are complied with.

Our Internal Control Consultant, an Independent Third Party, has reviewed the above internal control policies and the accounting system of our Group and was of the view that our Group has maintained adequate accounting system without material deficiency. The aforesaid measures are believed to ensure our Group to comply with the HKFRSs.

### *Views of our Directors and our Sole Sponsor*

Having considered the background leading to the tax incident mentioned above and the views from our Internal Control Consultant on our Group's internal control system, our Directors are of the view, and our Sole Sponsor concurs, based on its due diligence conducted, that (i) the various internal control measures adopted by our Group are adequate and effective; and (ii) the tax incident identified does not materially affect the suitability for our Company's listing under Rule 8.04 of the Listing Rules.

Our Sole Sponsor are of the view that the Accounting Errors would not reflect negatively on our Directors' competence and integrity and therefore would not materially affect the suitability of our Directors to act as Directors of the Company under Rules 3.08 and 3.09 of the Listing Rules as (i) our Directors had properly engaged the previous auditor to audit the relevant statutory financial statements of the Operating Companies and the previous auditor had expressed unqualified opinions on the relevant financial statements; (ii) our Directors had consulted the previous auditor on the appropriateness of our Group's accounting policies and treatment in preparing the relevant statutory financial statements at the material time and (iii) our Directors had not been informed by the previous auditor of any failure in the adoption of accounting standards during the course of preparing the relevant financial statements.

## INDEBTEDNESS

The following table sets out our Group's indebtedness as at the dates indicated:

	<b>As at 31 March</b>			<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
<b>Current liabilities</b>				
Amount due to a director	14,510	9,005	1,059	—
Borrowings	7,263	7,766	12,147	7,251
Obligations under finance leases	3,963	3,120	735	992
<b>Non-current liabilities</b>				
Obligations under finance leases	3,443	1,820	1,085	1,569

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### Amount due to a director

The amount due to a director was unsecured, interest-free and repayable on demand. The amount due to a director amounted to approximately HK\$14.5 million, HK\$9.0 million, HK\$1.1 million and nil as at 31 March 2015, 2016 and 2017 and 31 July 2017 respectively. During the Track Record Period, such amount represented cash advanced by Mr. Li to the Group. The amounts due to a director as at 31 March 2017 has been subsequently settled before 31 July 2017.

### Borrowings

The following table sets out our borrowings as at the dates indicated:

	<b>As at 31 March</b>			<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
Secured bank borrowings	4,853	5,082	6,661	2,782
Unsecured bank borrowings	<u>2,410</u>	<u>2,684</u>	<u>5,486</u>	<u>4,469</u>
	<u><u>7,263</u></u>	<u><u>7,766</u></u>	<u><u>12,147</u></u>	<u><u>7,251</u></u>

	<b>As at 31 March</b>			<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):				
— within one year	2,740	2,572	4,819	3,362
— more than one year but not exceeding two years	1,185	2,268	3,372	1,912
— more than two years but not exceeding five years	2,245	1,833	1,395	444
— more than five years	<u>1,093</u>	<u>1,093</u>	<u>2,561</u>	<u>1,533</u>
	<u><u>7,263</u></u>	<u><u>7,766</u></u>	<u><u>12,147</u></u>	<u><u>7,251</u></u>

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	As at 31 March			As at 31 July
	2015	2016	2017	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (unaudited)
Carrying amount of bank loans that are not repayable within one year from the year end but contain a repayment on demand clause	4,523	5,194	7,328	3,889
Carrying amount of bank loans that are repayable within one year from the year end and contain a repayment on demand clause	<u>2,740</u>	<u>2,572</u>	<u>4,819</u>	<u>3,362</u>
	<u><u>7,263</u></u>	<u><u>7,766</u></u>	<u><u>12,147</u></u>	<u><u>7,251</u></u>

Our bank borrowings were denominated in HKD. Borrowings amounting to approximately HK\$3.2 million, HK\$2.2 million, HK\$4.3 million and HK\$2.3 million as at 31 March 2015, 2016, 2017 and 31 July 2017 respectively carried at floating interest rates ranging from 2.0% to 2.8% below HKD Prime lending rate (“**Prime rate**”) to 0.5% to 1.5% plus Prime rate per annum. The effective interest rate of floating rate borrowings during the years ended 31 March 2015, 2016, 2017 and four months ended 31 July 2017 were 4.9%, 4.9%, 2.6% and 2.5% per annum respectively. Borrowings amounting to approximately HK\$4.1 million, HK\$5.6 million, HK\$7.8 million and HK\$5.0 million as at 31 March 2015, 2016, 2017 and 31 July 2017 respectively carried at fixed interest rates ranging from 4% to 9.9% per annum. The effective interest rate of fixed rate borrowings during the years ended 31 March 2015, 2016, 2017 and four months ended 31 July 2017 ranged from 7.5%, 5.7%, 4.8% and 5.0% per annum respectively.

As at 31 March 2015, 2016, 2017 and 31 July 2017, our Group’s total banking facilities amounted to approximately HK\$7.3 million, HK\$14.8 million, HK\$12.1 million and HK\$7.3 million respectively, of which approximately HK\$7.3 million, HK\$7.8 million, HK\$12.1 million and HK\$7.3 million respectively were utilized and approximately nil, HK\$7.0 million, nil and nil respectively remained unutilized. The banking facilities of the Group were secured by (i) a guarantee limited to HK\$2 million, HK\$2 million, nil and nil provided by Hong Kong Mortgage Corporation Limited under the SME Financing Guarantee Scheme as at 31 March 2015, 2016, 2017 and 31 July 2017 respectively; (ii) the mortgage charge over the investment property of our Group as at 31 March 2017 and 31 July 2017; (iii) certain properties owned by Mr. Li and his spouse, Mrs. Li and a related company that is controlled by Mrs. Li as at 31 March 2015, 2016, 2017 and 31 July 2017; and (iv) unlimited personal guarantees provided by Mr. Li and Mrs. Li as at 31 March 2015, 2016, 2017 and 31 July 2017. Our Directors confirm that the personal guarantees given by Mr. Li and Mrs. Li and the pledge of certain properties owned by Mr. Li, Mrs. Li and a related company that is controlled by Mrs. Li will be released or replaced by our corporate guarantees upon Listing.

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As at 31 July 2017, being the latest practicable date for the purpose of the indebtedness statement prior to the printing of this prospectus, we had banking facilities of approximately HK\$7.3 million, all of which had been fully utilised. Our Directors confirm that there is no material change to our Group's indebtedness and contingent liabilities since 31 July 2017 and up to the Latest Practicable Date.

During the Track Record Period and as at the Latest Practicable Date, the bank borrowing agreements were entered into with the banks under normal standard terms and conditions. The agreement under our bank borrowing does not contain any material covenants that will have a material adverse impact on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors confirm that our Group has not experienced any difficulty in obtaining bank borrowings, default in payment on bank borrowings or breach of finance covenants during the Track Record Period and up to the Latest Practicable Date and that they do not foresee any difficulty for our Group in obtaining bank borrowing after the Latest Practicable Date.

### *Obligations under finance leases*

During the Track Record Period, we leased certain machinery and motor vehicles by way of finance leases arrangement mainly through banks and finance lease companies.

As at 31 March 2015, 2016 and 2017 and 31 July 2017, our total finance lease liabilities (including both current and non-current portions) were approximately HK\$7.4 million, HK\$4.9 million, HK\$1.8 million and HK\$2.6 million respectively. The carrying amount of all finance lease liabilities are denominated in HK dollars.

	<b>As at 31 March</b>			<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
Amounts payable under finance leases:				
— within one year	4,341	3,372	798	1,085
— more than one year but not exceeding two years	2,668	806	557	988
— more than two years but not exceeding five years	935	1,134	577	642
	7,944	5,312	1,932	2,715
Less: future finance charges	(538)	(372)	(112)	(154)
Present value of obligations under finance leases	7,406	4,940	1,820	2,561

## FINANCIAL INFORMATION

The present value of minimum finance lease payments as at each reporting date is as follows:

	<b>As at 31 March</b>			<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	3,963	3,120	735	992
More than one year but not exceeding two years	2,546	735	521	937
More than two years but not exceeding five years	<u>897</u>	<u>1,085</u>	<u>564</u>	<u>632</u>
	<u><u>7,406</u></u>	<u><u>4,940</u></u>	<u><u>1,820</u></u>	<u><u>2,561</u></u>

The obligations under finance leases carried interest at a fixed rate from 3.8% to 8.7% per annum during the Track Record Period and ranged from 3.8% to 8.7% per annum after the Track Record Period and up to 31 July 2017. The Group's obligations under finance leases are secured by the lessors' charge over the leased assets and personal guarantees given by Mr. Li and his spouse, Mrs. Li, as at 31 March 2015, 2016, 2017 and 31 July 2017. Our Directors confirmed that the personal guarantees given by Mr. Li and Mrs. Li in respect of the finance leases will be released or replaced by our corporate guarantees upon Listing.

### **Contingent liabilities**

As at 31 March 2017 and 31 July 2017, our Group had provided guarantees of approximately HK\$5 million and HK\$8 million respectively in respect of performance bonds in favour of its clients.

Except as described above and apart from intra-group liabilities and normal trade payables, as at the Latest Practicable Date, we did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

On 2 June 2017, our Group had provided guarantees of approximately HK\$3 million in respect of performance bonds in favour of its clients.

Our Directors confirm that there had been no defaults by our Group in payment of its bank borrowings and other liabilities during the Track Record Period.

### **CAPITAL EXPENDITURES**

The following table sets out our Group's capital expenditure for the periods indicated. Our Group's capital expenditure primarily consists of purchases of plant and machinery, furniture and fixtures, motor vehicles and investment properties. Our capital expenditures were financed by finance leases and funded by cash generated from operations.

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	<b>Year ended 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Plant and machinery	8,839	4,388	10,874
Motor vehicles	2,742	2,105	833
Investment properties	—	—	6,390
Leasehold improvement	—	—	169
Computers and software	—	—	29
	<u>11,581</u>	<u>6,493</u>	<u>18,295</u>

### CONTRACTUAL OBLIGATIONS AND COMMITMENTS

#### Capital commitments

As at 31 March 2015, 2016, 2017 and 31 July 2017, we had capital commitments in respect of the acquisition of plant and equipment contracted for but not provided amounting to nil, nil, HK\$1.1 million and nil, respectively.

#### Operating lease commitments — Group as lessee

At each statement of financial position date, the total future minimum leases payments payable under non-cancellable operating leases were as follows:

	<b>As at 31 March</b>			<b>As at</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>31 July</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>2017</i>
				<i>HK\$'000</i>
				(unaudited)
Within one year	97	246	820	540
In the second to fifth year inclusive	—	624	—	—
Over five year	—	624	—	—
	<u>97</u>	<u>1,494</u>	<u>820</u>	<u>540</u>

Operating lease payments represents rentals payable by the Group for its office premises and warehouse. Leases are negotiated and rentals are fixed for a term ranging from 1 to 10 years.

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### Operating lease commitments — Group as lessor

At each statement of financial position date, the total future minimum leases payments receivable under non-cancellable operating leases were as follows:

	As at 31 March			As at
	2015	2016	2017	31 July
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
				(unaudited)
Within one year	—	—	121	40

Property rental income earned during the year ended 31 March 2015, 31 March 2016, 31 March 2017 and 31 July 2017 were nil, nil, approximately HK\$132,000 and HK\$81,000 respectively. The investment property held has committed tenant for the next two months.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Except for the contractual commitments set forth above, our Group did not have any other off-balance sheet arrangement or commitments as at the Latest Practicable Date.

### KEY FINANCIAL RATIOS

#### As at/for the year ended 31 March

	2015	2016	2017
Current ratio <sup>1</sup>	1.1	1.6	2.0
Gearing ratio <sup>2</sup>	112.6%	46.0%	21.3%
Debt to equity ratio <sup>3</sup>	60.2%	24.8%	-8.9%
Interest coverage <sup>4</sup>	20.4	30.0	35.9
Return on total assets <sup>5</sup>	14.9%	22.9%	19.8%
Return on equity <sup>6</sup>	45.6%	45.1%	33.1%
Net profit margin <sup>7</sup>	4.9%	6.1%	6.1%

*Notes:*

1. Current ratio is calculated based on the total current assets divided by the total current liabilities as at the end of each reporting period.
2. Gearing ratio is calculated based on the total debts (defined as the sum of the amounts due to a director, bank borrowings and obligations under finance leases) divided by the total equity as at the end of each reporting period and multiplied by 100.0%.
3. Debt to equity ratio is calculated by the net debt (total debt net of cash and cash equivalents) divided by the total equity as at the end of each reporting period and multiplied by 100.0%.
4. Interest coverage is calculated by the profit before interest and tax divided by the interest for the respective year.

## FINANCIAL INFORMATION

5. Return on total assets is calculated by the profit attributable to owners of our Company for the year divided by the total assets as at the end of each reporting period and multiplied by 100.0%.
6. Return on equity is calculated by the profit attributable to owners of our Company for the year divided by the total equity as at the end of each reporting period and multiplied by 100.0%.
7. Net profit margin is calculated by the profit attributable to owners of our Company for the year divided by the revenue for the respective year and multiplied by 100.0%.

### **Current ratio**

Our current ratio increased from approximately 1.1 times as at 31 March 2015 to approximately 1.6 times as at 31 March 2016. Such increase was mainly due to (i) the significant increase in our trade and other receivables of approximately HK\$18.5 million as a result of increase in our revenue; and (ii) a decrease in our current liabilities of approximately HK\$5.9 million as a result of repayment in amount due to a director. Our current ratio increased from approximately 1.6 times as at 31 March 2016 to approximately 2.0 times as at 31 March 2017. Such increase was mainly due to (i) the significant increase in our amounts due from customers for contract work of approximately HK\$11.7 million as a result of increase in our projects; and (ii) an increase in bank and cash balances of approximately HK\$11.3 million as a result of increase in net cash generated from operating activities during the year ended 31 March 2017.

### **Gearing ratio**

Our gearing ratio significantly decreased from approximately 112.6% as at 31 March 2015 to approximately 46.0% as at 31 March 2016. Such decrease was mainly due to (i) a decrease in total debts of approximately HK\$7.5 million as a result of repayment of amounts due to a director and repayment of obligations under finance leases during the year ended 31 March 2016; and (ii) an increase in our total equity of approximately HK\$21.3 million as a result of the increase in net profits for the year ended 31 March 2016. Our gearing ratio further decreased from approximately 46.0% as at 31 March 2016 to approximately 21.3% as at 31 March 2017. Such decrease was mainly due to (i) a decrease in total debts of approximately HK\$6.7 million as a result of repayment of amount due to a director and repayment of obligations under finance leases during the year ended 31 March 2017; and (ii) an increase in our total equity of approximately HK\$23.4 million as a result of the increase in net profits for the year ended 31 March 2017.

### **Debt to equity ratio**

Our debt to equity ratio significantly decreased from approximately 60.2% as at 31 March 2015 to approximately 24.8% as at 31 March 2016. Such decrease was mainly due to (i) a decrease in total debts of approximately HK\$7.5 million as a result of repayment of amounts due to a director and repayment of obligations under finance leases during the year ended 31 March 2016, the effect of which was partially offset by a reduction in bank balances and cash of approximately HK\$3.6 million as a result of repayment of obligations under finance leases during the period; and (ii) an increase in our total equity of approximately HK\$21.3 million as a result of the increase in net profits for the year ended 31 March 2016. Our debt to equity ratio has improved from approximately 24.8% as at 31 March 2016 to a net cash position as represented by a negative ratio of approximately 8.9% as at 31 March 2017. Such improvement was mainly due to (i) a decrease in total debts from approximately HK\$21.7 million as at 31 March 2016 to approximately HK\$15.0 million as at 31 March 2017, which was lesser than the bank

## FINANCIAL INFORMATION

balances and cash of approximately HK\$21.3 million as at 31 March 2017 resulting in a net cash position; and (ii) an increase in our total equity of approximately HK\$23.4 million as a result of the increase in net profits for the year ended 31 March 2017.

### **Interest coverage**

Our interest coverage increased from approximately 20.4 times as at 31 March 2015 to approximately 30.0 times as at 31 March 2016. Such increase was mainly due to the increase in our profit before interest and tax of approximately HK\$11.0 million. Our interest coverage further increased from approximately 30.0 times as at 31 March 2016 to approximately 35.9 times as at 31 March 2017. Such increase was mainly due to the increase in our profit before interest and tax of approximately HK\$4.0 million.

### **Return on total assets**

Our return on total assets increased from approximately 14.9% for the year ended 31 March 2015 to approximately 22.9% for the year ended 31 March 2016. Such increase was mainly due to the increase in our profit attributable to owners of our Company of approximately HK\$9.5 million, being partially offset by the increase in total assets of approximately HK\$13.8 million as a result of the increase in trade receivables arising from increase in our revenue. Our return on total assets decreased slightly from approximately 22.9% for the year ended 31 March 2016 to approximately 19.8% for the year ended 31 March 2017. Such decrease was mainly due to the increase in total assets of approximately HK\$25.2 million or 27.1% as a result of the acquisition of the investment property and the increases in our amounts due from customers for contract work and bank balances and cash as discussed above, which is proportionately more than the increase in our profit attributable to owners of our Company during the year ended 31 March 2017.

### **Return on equity**

Our return on equity remained at approximately 45.6% and 45.1% for the year ended 31 March 2015 and 2016 respectively. Our return on equity decreased from approximately 45.1% for the year ended 31 March 2016 to approximately 33.1% for the year ended 31 March 2017. Such decrease was mainly due to the lower proportionate increase in our profit attributable to owners of our Company for the year ended 31 March 2017 as compared to the higher proportionate increase in our total equity balance as at 31 March 2017.

### **Net profit margin**

Our net profit margin increased from approximately 4.9% for the year ended 31 March 2015 to approximately 6.1% for the year ended 31 March 2016. Notwithstanding gross profit margin remained roughly the same at approximately 10.3% and 10.2% for the two years ended 31 March 2016 respectively, the increase in net profit margin was mainly due to the decrease in administrative expenses as percentage of sales from approximately 4.2% for the year ended 31 March 2015 to approximately 3.0% for the year ended 31 March 2016 as a result of operational efficiency. Our net profit margin remained stable at 6.1% for the years ended 31 March 2016 and 2017.

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### RELATED PARTY TRANSACTIONS

During the Track Record Period, our Group entered into certain related party transactions, including (i) rental arrangement of a property in Kwai Chung which was used as the Group's workshop and ancillary office from April 2014 to May 2015; (ii) rental arrangement of a property in Tsuen Wan which was used as the Group's workshop and ancillary office from May 2015 to January 2017; and (iii) subcontracting arrangement with Ever Team Construction, which are detailed in the paragraph headed "Relationship with the Controlling Shareholders — Rule 8.10 of the Listing Rules — Ever Team Construction". Details of which are set out in note 31 "Related party transactions" of the Accountants' Report in Appendix I to this prospectus. Our Directors confirm that these related party transactions were conducted on an arm's length basis and normal commercial terms, which ceased during the Track Record Period.

With regard to the rental arrangements of the property in Kwai Chung and Tsuen Wan, the Property Valuer confirmed that the monthly rental under the two rental arrangements are consistent with the prevailing market rates of similar properties in the similar location or at the vicinity and are fair and reasonable.

With regard to the subcontracting arrangement with Ever Team Construction, our Directors confirm that our engagement of Ever Team Construction is consistent with our usual subcontracting practice as discussed in the paragraphs headed "Business — Subcontracting arrangement" and the terms of engagement we entered into with Ever Team Construction were similar to those we entered into with other subcontractors.

Having considered that the transaction amounts of these related party transactions are relatively insignificant as compared to the Group's total revenue, our Directors consider that these related party transactions did not distort the Group's financial results during the Track Record Period or make the Group's historical results unreflective of the Group's future performance.

### FINANCIAL AND CAPITAL RISK MANAGEMENT

#### Financial risk management

We are exposed to interest rate risk, credit risk, currency risk and liquidity risk in the normal course of business.

#### *Credit risk*

As at 31 March 2015, 2016 and 2017, our Group's maximum exposure to credit risk which will cause a financial loss to our Group in the event of the counterparties' failure to perform their obligations as at the end of each reporting period in relation to each class of recognised financial assets is the carrying amount of the respective financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk, the management of our Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, we review the recoverable amount

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of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, our Directors consider that our Group's credit risk is significantly reduced.

At the end of the reporting period, our Group has significant concentration of credit risk in a few customers. At 31 March 2015, 2016 and 2017, approximately 20%, 73% and 62% of the total trade receivables was due from our Group's largest customer respectively and approximately 74%, 94% and 82% of the total trade receivables was due from our five largest customers respectively. In view of their credit standing, good payment records and long established relationships with our Group, our executive Directors does not consider our Group's credit risk to be significant.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

### *Interest rate risk*

Our Group is exposed to fair value interest rate risk in relation to its fixed-rate borrowings and fixed-rate obligations under finance leases. Our Group is also exposed to cash flow interest rate risk in relation to its variable-rate bank balances and variable-rate borrowings. It is our Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

Our Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

For further details of quantitative information and the relevant sensitivity analysis, please refer to Note 7 of the Accountants' Report in Appendix I to this prospectus.

### *Liquidity risk*

In the management of the liquidity risk, our Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance our Group's operations and mitigate the effects of fluctuations in cash flows. In addition, our Group relies on unsecured and secured borrowings as a significant source of liquidity and the management monitors the utilisation of unsecured borrowings.

For further details of quantitative information and the liquidity table analysis, please refer to Note 7 of the Accountants' Report in Appendix I to this prospectus.

### **Capital risk management**

We manage our capital to ensure that entities in our Group will be able to continue as a going concern while maximising the return to our Shareholder through the optimisation of the debt and equity balance.

The capital structure of our Group consists of bank borrowings, amounts due to a director, obligations under finance leases, net of bank balances and cash and equity attributable to owners of our Company, comprising issued share capital and reserves.

## **FINANCIAL INFORMATION**

Our Directors regularly review the capital structure of our Group. As part of this review, our Directors consider the cost of capital and the risks associated with each class of capital. Based on the recommendation of our Directors, we will balance our overall capital structure through the payment of dividends, new share issues and the issue of new borrowings or the redemption of existing borrowings.

### **LISTING EXPENSES**

The estimated total Listing expenses (based on the mid-point of our indicative Offer Price range and assuming none of the Adjustment Options are exercised) in relation to the Share Offer is approximately HK\$25.0 million, of which (i) approximately HK\$4.3 million was charged to our consolidated statements of profit or loss and other comprehensive income for the year ended 31 March 2017; (ii) approximately HK\$12.5 million will be charged to our consolidated statements of profit or loss and other comprehensive income for the year ending 31 March 2018; and (iii) approximately HK\$8.2 million will be charged against equity for the year ending 31 March 2018. Our financial performance for the year ending 31 March 2018 would be significantly and negatively affected by the one-off Listing expenses as mentioned in the foregoing. In particular, it is expected that our net profit for the year ending 31 March 2018 would be significantly lower than that of the year ended 31 March 2017.

Our Directors would like to emphasise that the Listing expenses stated above are the current estimation for reference purpose and the actual amount to be recognised is subject to adjustments based on audits and the then changes in variables and assumptions. Prospective investors should note that the financial performance of our Group for the year ending 31 March 2018 would be materially and adversely affected by the Listing expenses mentioned above.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors have confirmed that, save for the Listing expenses as disclosed in the above, since 31 March 2017 and up to the date of this prospectus, there had been no material adverse change in the trading and financial position or prospects of our Group and no event had occurred that would materially and adversely affect the information shown in the Accountants' Report as set out in Appendix I to the prospectus.

### **DIVIDEND**

Our Group did not declare any dividend for the three years ended 31 March 2015, 2016 and 2017. We do not have a predetermined dividend payout ratio. The decision to distribute any interim dividend or special dividend, or the recommendation of the payment of final dividend, is subject to the absolute discretion of our Board, and any declaration of final dividend for the year will also be subject to the approval of our Shareholders. Our Directors may recommend a payment of dividend in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as it may deem relevant at such time.

The declaration, payment and amount of any future dividends will be subject to our constitutional documents comprising the Memorandum and Articles of Association and the Companies Laws including, where necessary, the approval of our Shareholders. Investors should note that historical dividend distributions are not indicative of our future dividend distribution.

## **FINANCIAL INFORMATION**

### **DISTRIBUTABLE RESERVE**

Our Company was incorporated in the Cayman Islands and has not carried out any business since the date of its incorporation, save for investment holding and the transactions related to the Reorganisation. Accordingly, our Company has no reserve available for distribution to the Shareholders as at the Latest Practicable Date.

### **UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS**

Please see the section headed “Unaudited Pro Forma Financial Information” as set out in Appendix II to this prospectus for details.

### **DISCLOSURE REQUIRED UNDER THE LISTING RULES**

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances which, had they been required to comply with Rules 13.13 to 13.19 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

## FUTURE PLANS AND USE OF PROCEEDS

### BUSINESS OBJECTIVES AND STRATEGIES

Please refer to the paragraph headed “Business — Business strategies” in this prospectus for our Group’s business objectives and strategies.

### USE OF PROCEEDS

Based on the Offer Price of HK\$0.45 per Offer Share, being the mid-point of the indicative Offer Price ranged of HK\$0.38 per Offer Share to HK\$0.52 per Offer Share, the net proceeds from the Share Offer are estimated to be approximately HK\$76.3 million after deducting the related underwriting fees and estimated expenses in connection with the Share Offer. Our Directors intend to apply to such net proceeds as follows:

- approximately HK\$29.8 million, representing 39.1% of the net proceeds, will be used to purchase machinery and equipment comprising excavators and lifting cranes required for our foundation and site formation works (collectively referred to as the “**foundation and site formation machinery**”). Most of our machinery and equipment are substantially deployed to various construction sites for our projects as at the Latest Practicable Date. We consider that it is imperative for us to expand our fleet of foundation and site formation machinery taking into account (i) our demand for foundation and site formation machinery for our contracts on hand, newly awarded contracts and contracts that we will submit the tender for equipment with reference to their operating condition and the cost effectiveness of such replacement.

Pursuant to our accounting policies, depreciation of machinery and equipment is provided for using straight-line method over a period of five years. As at 31 March 2017, the average age of our excavators was 3.3 years, and 39.8% of our excavators have depreciated more than 80% of their acquisition values or even fully depreciated.

The following table sets forth the breakdown of our existing excavators’ age as at 31 March 2017:

	0 ≤ Age < 1.5	1.5 ≤ Age < 2.5	2.5 ≤ Age < 3.5	3.5 ≤ Age < 4.5	4.5 ≤ Age ≤ 5	Age more than 5 years
<b>Number of Excavators</b>						
NRMM approved	9	10	7	—	—	—
NRMM exempted	5	11	16	20	3	14
Not subject to NRMM Regulation	—	—	1	2	—	—

We do not have a pre-determined or regular placement cycle for our machinery. Replacement decisions are made on a case-by-case basis having regard to the operating condition of each unit of machinery, the cost effectiveness of replacing only the malfunctioning parts and the customers’ requirements. More importantly, during the Track Record Period, we had already expanded our fleet of NRMM approved machinery from 13 excavators as at 31 March 2015 to 26 excavators as at 31 March 2017. Our Directors believe that such trend can be explained by our customers’ preference to have a foundation and site formation subcontractor with machinery of better environmental-friendliness and efficiency. Therefore, in order to increase our tender success rate in the future, it is an imperative for us to upgrade our fleet of NRMM

## FUTURE PLANS AND USE OF PROCEEDS

approved machinery and strengthen our execution efficiency by replacing aged machinery with upgraded models. We therefore plan to purchase 26 excavators to enhance the operation efficiency. In particular, the new excavators to be purchased by our Group will comply with the emission standard prescribed under the NRMM Regulation with proper QPME (Quality Powered Mechanical Equipment) label issued by the Environmental Protection Department, which are expected to be more environmentally friendly with better operating efficiency and lower maintenance cost as compared to aged machinery. Further, we expect to carry out more public projects for the years ending 31 March 2017 and 31 March 2018 which require a higher percentage of NRMM approved machinery. Therefore our new excavators can be used to satisfy such requirements for our new public projects. For more information relating to our new public projects and public projects' requirements relating to NRMM approved machinery, please refer to the paragraph headed "Business — Business strategies".

Furthermore, for each of the three years ended 31 March 2017, the rental expense incurred for renting lifting cranes from our suppliers for our foundation and site formation works were approximately HK\$0.6 million, HK\$4.0 million and HK\$3.9 million, respectively. Our Directors consider that it is more cost-effective to maintain our own fleet of lifting cranes, and therefore plan to purchase two lifting cranes.

Particulars of additional foundation and site formation machinery we intend to acquire are as follows:

<b>Additional machinery</b>	<b>Estimated Costs (HK\$'000)</b>
Four excavators (1–4 tons)	1,280.0
Ten excavators (7–15 tons)	7,000.0
Eight excavators (20–30 tons)	7,120.0
Four excavators (35–48 tons)	5,400.0
Two lifting cranes (90 tons)	9,000.0
 Total:	 29,800.0

For any shortfall (if any) of foundation and site formation machinery in the future, our Group may obtain additional foundation and site formation machinery through leasing from other machinery providers or resources and/or bank borrowing.

*Reasons why we intend to use the net IPO proceeds instead of our internal resources to purchase machinery and equipment over such a long timeframe.*

As at 31 July 2017, our bank balance was HK\$19.8 million (based on our Company's unaudited management accounts), which was subsequently reduced to approximately HK\$16.9 million as at 21 September 2017 (based on our Company's unaudited management accounts). Whilst we can generate cash flow from our operating activities, this existing bank balance of HK\$16.9 million as at 21 September 2017 will be mainly used for working capital of our daily operation as our Group's average cash outflow per month amounted to

## FUTURE PLANS AND USE OF PROCEEDS

approximately HK\$17.0 million. Our bank borrowing as at 31 July 2017 was approximately HK\$7.3 million and had been fully utilised. As such, if our Group has to finance the purchase of the foundation and site formation machinery by our internal resources, we had to be either through debt financing or the cash generated from our operating activities.

In terms of debt financing, the banks usually request unlimited guarantee from Mr. Li or pledge of property by the Company controlled by Mrs. Li or impose restrictive covenants on our Group in respect of our future fund-raising activities or other financial and operational matters as the conditions to the granting of banking facilities to our Company. This unfavorable impact and limitation of debt financing could be eliminated as the relevant banks have indicated that the personal guarantees or security provided by Mr. Li or Mrs. Li's related company would no longer be needed if our Company is a listed company in Hong Kong. Hence, the listing status of our Company is not only a fund raising avenue but also enable our Company to obtain a better term in our debt financing.

Concerning the option of finance lease that our Company may consider to finance our purchase of machinery, based on (i) the effective interest rate applicable in April 2017 being 4.8% per annum; (ii) the estimated purchase price of the machinery at HK\$29.8 million; and (iii) our timeframe for acquiring the machinery, our Company would incur approximately HK\$0.2 million, HK\$0.7 million and HK\$1.3 million as finance cost for the three years ending 31 March 2020, respectively and hence, our Group's liquidity and gearing ratio would be negatively affected. Furthermore, the ownership of the machinery would remain with the financial institutions until the last instalment of the respective finance lease agreement has been paid up in full. In addition, some of such finance leases may also involve personal guarantees provided by Mr. Li.

Our Directors consider that it would not be in the interest of our Group to finance the purchase of machinery and equipment by relying on debt financing or finance lease on the terms that involve personal guarantee or any collateral provided by Mr. Li because (a) it is our Group's long-term strategy to minimise connected transactions in order to carry out our business independently from the Controlling Shareholders, our Directors and their associates; and (b) continuous reliance on the Controlling Shareholders and their associates for provision of personal guarantee and other form of financial assistance is a hindrance to our Group in achieving financial independence.

Concerning the operating cash flow generated from our operations, our Group's future cash flows to be generated from our operating activities are not immediately available for the implementation of our business strategies. In addition, our Directors consider that there is no guarantee that future cash flows from our operating activities, once generated, can be immediately available for our expansion plans due to factors such as the need to maintain a higher level of available cash resources to be in line with our scale of operation, payments of dividends (if any), and funding needed for further expansion upon the successful implementation of our business strategies.

Therefore, our Directors consider that if we only rely on our internal resources or future cash flows from our operating activities for financing our business strategies, there will be uncertainties in relation to (i) the timing of the generation of sufficient cash from our

## FUTURE PLANS AND USE OF PROCEEDS

operation for our expansion plans; (ii) the need to constantly adjust our expansion plans in view of the amount of cash to be generated from its operation; (iii) the timing of the implementation of our business strategies; and (iv) the timing of capturing the growth opportunities in the foundation and site formation works industry as stated in the Ipsos Report. Our Directors consider that it is not in the best interest of our Company to be exposed to the abovementioned uncertainties.

- approximately HK\$23.0 million, representing approximately 30.1% of the net proceeds, will be earmarked to secure the more contracts we plan to tender, which it is generally required as a condition of tender that the subcontractors shall take out surety bonds issued by banks or insurance companies in the amount of certain percentage of the contract sum in favour of the potential customers. The surety bonds generally amount to 10% of the total contract sum from our customers. During the Track Record Period, we had taken out two surety bonds with an aggregate amount of HK\$8.0 million for two foundation and site formation projects of which Customer B was the main contractor in 2017. Our Directors consider that if we are to undertake more foundation and site formation projects without any detriment to our cash flow position due to the increased retention ratio required by our major customers, we must continue to enhance our available financial resources and strengthen our liquidity position in order to satisfy the surety bond requirement for projects that may potentially be awarded to us. During the Track Record Period and up to the Latest Practicable Date, we have received 13 tender invitations which requested us to provide surety bonds. The following table shows the surety bond amounts:

Tender result	Customer	Surety bond amount	Month of receipt of the tender invitation
1 Accepted	Customer B	HK\$5,000,000	September 2016
2 Accepted	Customer B	HK\$3,000,000	February 2017
3 Accepted	Vibro (H.K.) Limited	Our Group originally had to provide a surety bond amount of HK\$2,274,360, however, through our negotiations with our customer, we were not required to provide a surety bond.	October 2015
4 Accepted	Vibro (H.K.) Limited	Our Group originally had to provide a surety bond amount of HK\$1,529,225, however, through our negotiations with our customer, we were not required to provide a surety bond.	November 2016
5 Accepted	Customer X (which is a listed company in Hong Kong)	Our Group originally had to provide a surety bond amount of HK\$3,838,000, however, through our negotiations with our customer, we were not required to provide a surety bond.	February 2017
6 Not successful	Vibro (H.K.) Limited	HK\$1,600,000 (estimated based on 10% of the tender sum)	October 2016

## FUTURE PLANS AND USE OF PROCEEDS

Tender result	Customer	Surety bond amount	Month of receipt of the tender invitation	
7	Not successful	Vibro (H.K.) Limited	HK\$4,000,000 (estimated based on 10% of the tender sum)	November 2016
8	Declined to tender <i>(Note 1)</i>	Customer W	HK\$2,900,000 (estimated based on 10% of tender sum)	July 2017
9	Declined to tender <i>(Note 1)</i>	Customer W	HK\$1,570,000 (estimated based on 10% of tender sum)	July 2017
10	Accepted	Vibro (H.K.) Limited	HK\$7,869,295 <i>(Note 2)</i>	July 2017
11	Pending <i>(Note 3)</i>	Vibro (H.K.) Limited	HK\$980,000 (estimated based on 10% of tender sum)	August 2017
12	Pending <i>(Note 3)</i>	China State Group	HK\$10,340,000 (estimated based on 10% of tender sum)	August 2017
13	Pending <i>(Note 4)</i>	Vibro (H.K.) Limited	HK\$8,000,000 (estimated based on 10% of tender sum)	September 2017

*Notes:*

1. This is a new customer with whom our Group did not have any business relationship before. Despite the invitations for tender from this new customer, we declined to submit the tenders due to the customer's refusal to remove the surety bond requirement condition and our lack of financial resources to provide surety bond as required at the time.
2. Part of the net proceeds will be earmarked to pay the surety bond amount as the contract was granted to us in September 2017.
3. As at the Latest Practicable Date, we had attended the tender interviews with the respective main contractors regarding the tender price, the methodology applied in undertaking the works and the time frame of the contract.
4. We received the invitation for tender on 15 September 2017 and are currently in the process of preparing the tender document and thus, the contract sum and the surety bond amount are solely based on our Directors' preliminary assessment based on the information in the invitation for tender and our communication with the customer.

*The new projects for which we intend to tender in 2018*

To the best of our Directors' knowledge, when the main contractors are preparing their tender documents for submission to the relevant employers of the contracts, they would seek the preliminary views of the subcontractors (like our Group) in terms of the estimated subcontracted fees, scope of works and methodologies in carrying out the works, for reference or inclusion in their tenders.

The table below sets forth the projects tentatively scheduled to commence in 2018 with an estimated contract sum exceeding HK\$10,000,000.0 in which the interested main contractors have consulted our Group, on a non-committed basis, about the scope of the

## FUTURE PLANS AND USE OF PROCEEDS

subcontracted works, the estimated fees, programme and the methodology in undertaking the subcontracted works and all of these projects are expected to involve surety bond requirements if any of these customers wins the contracts:

Name of the main contractor	Estimated date for submission of tender <i>(Note 1)</i>	Estimated date of providing surety bond <i>(Note 1)</i>	Nature of the contract/site location	Approximate estimated contract Sum <i>(HK\$'000)</i> <i>(Note 1)</i>	Approximate estimated surety bond amount <i>(HK\$'000)</i> <i>(Note 1)</i>
China State Group/ Vibro (H.K.) Limited/ Customer V/ Customer U <i>(Note 2)</i>	January 2018	February 2018	Foundation and site formation works	36,000.0	3,600.0
China State Group	August 2018	September 2018	Foundation works	28,000.0	2,800.0
China State Group/ Vibro (H.K.) Limited <i>(Note 2)</i>	September 2018	October 2018	Foundation works	43,000.0	4,300.0
Customer W	July 2018	August 2018	Foundation works	12,000.0	1,200.0
Customer V	March 2018	April 2018	Foundation and site formation works	185,200.0	18,520.0
China State Group/ Vibro (H.K.) Limited/ Customer V <i>(Note 2)</i>	August 2018	September 2018	Foundation works	90,000.0	9,000.0
Customer V	September 2018	October 2018	Foundation works	143,900.0	14,390.0
Vibro (H.K.) Limited	June 2018	July 2018	Foundation works	78,000.0	7,800.0
China State Group/ Customer V/ Customer T <i>(Note 2)</i>	August 2018	September 2018	Foundation works	29,800.0	2,980.0
Vibro (H.K.) Limited	October 2018	November 2018	Foundation works	75,500.0	7,550.0
Customer V	October 2018	November 2018	Foundation works	46,900.0	4,690.0
Vibro (H.K.) Limited/ Customer V/ Customer W <i>(Note 2)</i>	August 2018	September 2018	Foundation works	55,900.0	5,590.0
Customer V	October 2018	November 2018	Foundation works	114,800.0	11,480.0
China State Group/ Customer X <i>(Note 2)</i>	September 2018	October 2018	Foundation works	82,600.0	8,260.0
China State Group	September 2018	October 2018	Foundation works	224,900.0	22,490.0

*Notes:*

- The estimated date for submission of tender, the estimated date of providing surety bonds, the approximate estimated contract sum and the approximate estimated surety bond amount are provided based on our management's best estimation having made reasonable enquiries with potential customers and such dates may be changed by potential customers, subject to the tendering schedule, tendering results and customers' requirements.
- These main contractors have invited our Company to provide estimation for the subcontracted works in terms of fees, construction methods and programmes etc. in the same project.

## FUTURE PLANS AND USE OF PROCEEDS

From the experience of our Directors, if these main contractors win the contracts from the employers, these main contractors would invite our Group and other subcontractors to submit the tender for the corresponding subcontracted works. Our Directors take the view that our Group would be in a better position to estimate the tender price, delineate the scope of the subcontracted works and determinate the methodologies in carrying out such works as we have the advantage of having certain prior understanding of the background of the project and the requirements of the main contractors.

In light of the above, our Directors take the view that our Group has a genuine need to strengthen our cash position in order to enable us to bid for these projects (all of which are expected to involve surety bond requirements), and enhance our tender success rate.

*Basis of our Directors' belief that our Group would be able to undertake potential new projects which require surety bonds*

Within the approximate three months prior to the Latest Practicable Date (i.e. from June to September 2017), our Group received six invitations for tender which required us to provide surety bonds with a total surety bond amount of approximately HK\$31.7 million, representing an underlying total contract value of approximately HK\$317 million. Our Group had so far secured one project and had to provide a total surety bond amount of HK\$7,869,295. If our Group wins the tender submitted for the three projects (two from Vibro (H.K.) Limited and one from the China State Group) where the results of which are still pending (the “**Pending Tenders**”), we have to provide a further surety bond in a total sum of approximately HK\$19.2 million. Having considered our Group's stable relationship with our customers of these Pending Tenders, our track record of delivery quality services based on our past projects with these customers, our capability to offer foundation and site formation works and our strong project management capability, our Directors are optimistic about the outcome of these Pending Tenders in so far as we agree to provide the surety bonds as requested by these customers.

Based on the above illustration and our Directors' experience, our Directors are optimistic that, for the sake of prudence, our Group would be able to undertake potential new projects which require surety bonds in the amount of HK\$23.0 million with the underlying total contract sum of not less than HK\$230.0 million after the Listing. The net proceeds of HK\$23.0 million being earmarked to take out surety bonds will be partly utilised to pay the surety bond amount of HK\$7,869,295 due to the grant of the contract to us by Vibro (H.K.) Limited in September 2017 and the remaining sum of approximately HK\$15.1 million will be utilised, together with our internal funding, to pay the surety bond amount of HK\$19.3 million if we win the Pending Tenders;

- approximately HK\$16.9 million, representing approximately 22.2% of the net proceeds, will be used for further expanding and strengthening our Group's manpower by (i) recruiting 13 additional full-time staff, including one project manager, four site supervisors, one quantity surveyor and seven machinery operators; and (ii) providing staff trainings to update our staff's knowledge in the foundation and site formation industry and enhance their technical skills.

## FUTURE PLANS AND USE OF PROCEEDS

The table below sets forth our Group's plan on the 13 additional staff to be employed:

<b>Position</b>	<b>Number</b>	<b>Specific qualifications and/or requirements to be imposed on the staff by our Group</b>
Project manager	1	<p>Must have:</p> <ol style="list-style-type: none"> <li>1. a university degree in construction or related discipline; and</li> <li>2. at least six years' working experience in managing foundation and site formation works.</li> </ol>
Site supervisors	4	<p>Must have at least eight years' working experience in foundation and site formation works</p>
Quantity surveyor	1	<p>Must have:</p> <ol style="list-style-type: none"> <li>1. a university degree or diploma in quantity surveying or construction or related discipline; and</li> <li>2. at least five years' working experience in handling quantity surveying issues.</li> </ol>
Machinery operators	7	<p>Must have:</p> <ol style="list-style-type: none"> <li>1. a valid certificate for operating a loadshifting machine under the Factories and Industrial Undertakings (Loadshifting Machinery) Regulation;</li> <li>2. a valid registration of a registered skilled worker for the trade division of plant and equipment operator (excavator) under Construction Workers Registration Ordinance; and</li> <li>3. at least three years working experience in operating excavator.</li> </ol>

- approximately HK\$6.6 million or approximately 8.6% of net proceeds will be used as general working capital of our Group.

## FUTURE PLANS AND USE OF PROCEEDS

For the period from the Listing Date to 30 September 2020, our net proceeds from the Share Offer will be used as follows:

	<b>From the Listing Date to 31 March 2018</b>	<b>From 1 April 2018 to 31 March 2019</b>	<b>From 1 April 2019 to 31 March 2020</b>	<b>From 1 April 2020 to 30 September 2020</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(approximate)	(approximate)	(approximate)	(approximate)	(approximate)
Acquire new machinery and equipment	7,680.0	11,260.0	10,860.0	—	29,800.0
Reserve more capital to satisfy our potential requirement for surety bond	5,750.0	11,500.0	5,750.0	—	23,000.0
Strengthen our manpower	2,719.0	5,567.0	5,698.0	2,916.0	16,900.0
General working capital	6,550.0	—	—	—	6,550.0
					76,250.0
					76,250.0

The above allocation of the net proceeds from the Share Offer will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher level or a lower level compared to the midpoint of the indicative Offer Price range.

If the final Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds to be received by us from the Share Offer will increase or decrease by approximately HK\$15.8 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.

If any of the Adjustment Options is exercised in full, the additional net proceeds received from the offer of the additional Shares allotted and issued will be allocated in accordance with the above allocations on a pro rata basis. For details of the Adjustment Options, please refer to the section headed “Structure and conditions of the Share Offer” in this prospectus.

To the extent that the net proceeds from the Share Offer are not immediately required for the above purposes or if we are unable to effect any part of our future development plans as intended, we may hold such funds in short-term deposits with licensed banks or authorised financial institutions for so long as it is in our best interests.

## FUTURE PLANS AND USE OF PROCEEDS

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 Listing Rules.

### IMPLEMENTATION PLAN

Pursuant of our abovementioned business objectives, the implementation plans of our Group are set forth below for the period from the Listing Date to 30 September 2020:

#### Listing Date to 30 September 2017

We do not plan on utilising our proceeds during this period.

#### Six months ending 31 March 2018

Business strategies	Implementation plans	Use of proceeds <i>HK\$'000 (approximate)</i>
Acquiring additional machinery and equipment to enhance our operational efficiency	— Acquisition of two 7–15 ton excavators	1,400.0
	— Acquisition of two 20–30 ton excavators	1,780.0
	— Acquisition of one lifting crane	4,500.0
Further expanding our manpower for project execution and strengthening the skills of our employees	— Recruitment of one project manager	270.0
	— Recruitment of four site supervisors	960.0
	— Recruitment of one quantity surveyor	174.0
	— Recruitment of seven machinery operators	1,260.0
Further strengthening our capital base for the issue of surety bonds	— Provision of trainings to strengthen the skills of our employees	55.0
	— Undertake more projects should our Group be able to identify and secure suitable business opportunities, with approximately HK\$5.8 million earmarked for satisfying potential customers' requirement for surety bond	5,750.0

## FUTURE PLANS AND USE OF PROCEEDS

**Six months ending 30 September 2018**

<b>Business strategies</b>	<b>Implementation plans</b>	<b>Use of proceeds</b> <i>HK\$'000 (approximate)</i>
Acquiring additional machinery and equipment to enhance our operational efficiency	— Acquisition of one 1–4 ton excavator	320.0
	— Acquisition of two 7–15 ton excavators	1,400.0
	— Acquisition of one 20–30 ton excavator	890.0
	— Acquisition of one 35–48 ton excavator	1,350.0
Further expanding our manpower for project execution and strengthening the skills of our employees	— Additional staff costs for retaining the aforesaid additional staffs for the period, taking into account of potential increase in wage level	2,728.0
	— Provision of trainings to strengthen the skills of our employees	55.5
Further strengthening our capital base for the issue of surety bonds	— Undertake more projects should our Group be able to identify and secure suitable business opportunities, with approximately HK\$5.8 million earmarked for satisfying potential customers' requirement for surety bond	5,750.0

## FUTURE PLANS AND USE OF PROCEEDS

Six months ending 31 March 2019

Business strategies	Implementation plans	Use of proceeds <i>HK\$'000 (approximate)</i>
Acquiring additional machinery and equipment to enhance our operational efficiency	— Acquisition of one 1–4 ton excavator	320.0
	— Acquisition of one 7–15 ton excavator	700.0
	— Acquisition of two 20–30 ton excavators	1,780.0
	— Acquisition of one lifting crane	4,500.0
Further expanding our manpower for project execution and strengthening the skills of our employees	— Additional staff costs for retaining the aforesaid additional staffs for the period, taking into account of potential increase in wage level	2,728.0
	— Provision of trainings to strengthen the skills of our employees	55.5
Further strengthening our capital base for the issue of surety bonds	— Undertake more projects should our Group be able to identify and secure suitable business opportunities, with approximately HK\$5.8 million earmarked for satisfying potential customers' requirement for surety bond	5,750.0

## FUTURE PLANS AND USE OF PROCEEDS

Six months ending 30 September 2019

Business strategies	Implementation plans	Use of proceeds <i>HK\$'000 (approximate)</i>
Acquiring additional machinery and equipment to enhance our operational efficiency	— Acquisition of one 1–4 ton excavator	320.0
	— Acquisition of two 7–15 ton excavators	1,400.0
	— Acquisition of two 20–30 ton excavators	1,780.0
	— Acquisition of two 35–48 ton excavators	2,700.0
Further expanding our manpower for project execution and strengthening the skills of our employees	— Additional staff costs for retaining the aforesaid additional staffs for the period, taking into account of the potential increase in wage level	2,793.5
	— Provision of trainings to strengthen the skills of our employees	55.5
Further strengthening our capital base for the issue of surety bonds	— Undertake more projects should our Group be able to identify and secure suitable business opportunities, with approximately HK\$5.8 million earmarked for satisfying potential customers' requirement for surety bond	5,750.0

## FUTURE PLANS AND USE OF PROCEEDS

### Six months ending 31 March 2020

Business strategies	Implementation plans	Use of proceeds <i>HK\$'000 (approximate)</i>
Acquiring additional machinery and equipment to enhance our operational efficiency	— Acquisition of one 1–4 ton excavator	320.0
	— Acquisition of three 7–15 ton excavators	2,100.0
	— Acquisition of one 20–30 ton excavator	890.0
	— Acquisition of one 35–48 ton excavator	1,350.0
Further expanding our manpower for project execution and strengthening the skills of our employees	— Additional staff costs for retaining the aforesaid additional staffs for the period, taking into account of the potential increase in wage level	2,793.5
	— Provision of trainings to strengthen the skills of our employees	55.5

### Six months ending 30 September 2020

Business strategies	Implementation plans	Use of proceeds <i>HK\$'000 (approximate)</i>
Further expanding our manpower for project execution and strengthening the skills of our employees	— Additional staff costs for retaining the aforesaid additional staffs for the period, taking into account of the potential increase in wage level	2,860.0
	— Provision of trainings to strengthen the skills of our employees	56.0

## FUTURE PLANS AND USE OF PROCEEDS

### REASONS FOR THE LISTING

Our Directors believe that the Listing will greatly benefit our Group for the following reasons:

- **Necessity of fund raising through the Share Offer**

Our Group has genuine funding needs for expansion of our business and it is imperative for our Company to seek a Listing due to the following reasons:

- (i) *Expected growth in our Group's business in view of our contracts on hand, newly awarded contracts, and outlook of the construction industry*

Our Group's business is expected to expand steadily taking into account our contracts on hand, the newly awarded contracts and the contracts to which we had submitted for tender coupled with the continuous growth in the construction industry. Our Directors believe that the capital raised through the Share Offer would strengthen our Group's cashflow position which in turn enables our Group to undertake more sizeable projects and to capture the growth of the foundation and site formation works industry in Hong Kong.

- (a) *Contracts on hand and newly awarded:* Subsequent to the Track Record Period and up to the Latest Practicable Date, 15 new contracts, with an aggregate original contract sum of approximately HK\$256.0 million were awarded to our Group. As at the Latest Practicable Date, we had 15 projects on hand (including projects in progress as well as projects that awarded to us but not yet commenced) with a total original contract sum of approximately HK\$411.6 million, of which approximately HK\$44.9 million had been recognised for the year ended 31 March 2017. Our Group also returned some quotations for tender for the projects subsequent to the Track Record Period and up to the Latest Practicable Date with an aggregate expected notional contract sum of over HK\$600 million. These projects or potential projects would entail larger amounts of capital but at the same time, a substantive amount of start-up costs and a larger amount of surety bond or retention moneys, which may result in a lock-up of a portion of our capital during the term of the surety bond or the term of the contract and thereby affecting our liquidity.
- (b) *Capital input and upfront costs:* We have to pay the start-up costs such as costs of materials, subcontracting fees and equipment and tooling expenses for certain start-up works including site establishment prior to receiving payment from our customers, who normally make progress payments to us after we have commenced our works. Our cash flow requirement at the initial stage of our projects would constraint the number of projects that we could take under our then available resources. We normally receive invoices from our suppliers after their delivery of construction materials to us and we have to settle them cash on delivery or within 30 days from invoice date.

## FUTURE PLANS AND USE OF PROCEEDS

Furthermore, our customers generally withhold usually 10% of each interim payment up to an aggregate of usually 5% of the total contract sum as retention money, which will only be fully released to our Group subsequent to the expiry of the defect liability period.

- (c) *Net cash outflow at the early stage of the project:* We typically submit a payment application to our customers on a monthly basis based on our works progress and the payments will be made to us within 15 to 45 days after payment certification, depending on the terms of individual contracts. In general, our customers make the first payments within approximately two to three months following the commencement of the projects and we would therefore incur net cash outflows at an early stage of carrying out our works.
- (d) *Mismatch of our cash flow:* Furthermore, the progress payments from our customer will not always be paid to us on time and in full and we may experience a mismatch of our cash flow when there is any timing difference between making payments to our suppliers and our subcontractors and receiving payments from our customers.
- (e) *Our banking facilities having been utilised:* During the Track Record Period, our Group obtained banking facilities and internal resources to finance the upfront payments. Although our Group has obtained banking facilities from a few banks, our Directors believe that it is necessary to maintain a disciplined financial strategy without exposing our Group to aggressive gearing in order to achieve sustainable growth in the long run; and a cash level sufficient to support our Group's existing operations. Amongst the banking facilities of HK\$7.3 million as at 31 July 2017, all of them have been utilised. As at 31 March 2017, our cash and cash equivalents amounted to approximately HK\$21.3 million. Referring to our cash used in operations, including payments made to suppliers, subcontractors and direct labour for the year ended 31 March 2017, we required an average monthly payment of approximately HK\$17.0 million. As such, our Directors consider that the current financial resources available to our Group is only sufficient for the present scale of our business turnover and there are funding needs for our expected business growth.

### (ii) *Industry outlook*

Pursuant to the Ipsos Report, aligning with the public and private construction sectors' anticipated continuous growth, it is expected that the gross output value of the construction industry in Hong Kong will grow from approximately HK\$209.1 billion in 2017 to HK\$247.7 billion in 2021. It is forecasted in the Ipsos Report that the gross output value of the foundation works and site formation works in Hong Kong will grow from about HK\$26.1 billion in 2017 to about HK\$29.9 billion in 2021 at a CAGR of approximately 3.5% as there are rising demand for public housing units and public infrastructures. Our Directors believe that there are still considerable business opportunities and growth drivers in the foundation and site formation industry which justify our Group's expansion plan to compete for more foundation and site formation projects. According to the Ipsos Report, growth in site

## FUTURE PLANS AND USE OF PROCEEDS

formation is expected to pick up in 2017 in view of the housing strategy that will be initiated by the Government. In addition, in the next five years, the Government will continue to initiate infrastructure development and housing development, which are mostly at site construction projects. For details of the growth drivers and future business opportunities, please refer to the section headed “Industry Overview — Demand for and industry drivers of the foundation and site formation works industry in Hong Kong” in this prospectus.

*(iii) Low bank balance and cash position*

Given our Group’s average cash outflow per month amounted to approximately HK\$17.0 million based on our cash used in operations for the year ended 31 March 2017, our bank balance of HK\$21.3 million as at 31 March 2017, which was reduced to approximately HK\$19.8 million as at 31 July 2017 (based on the Company’s unaudited management accounts). Our bank borrowings as at 31 July 2017 was approximately HK\$7.3 million, which had been drawn down and fully utilised. Given the low bank balances and cash position, our Company will need to raise fund through the Share Offer to facilitate implementation of our future plans as set out in the paragraph headed “Business — Business strategies” in this prospectus and this section. During the Track Record Period, our Group had not declared any dividends to its shareholders due to our funding need for business expansion.

Our Directors consider that it is necessary to keep surplus cash in our Group for any unexpected inflation of costs due to unstable labour supply in construction industry. As such, in view of our significant cash outflow exposure including payment to suppliers, subcontractors and labours, our Directors believe that our Group needs to generate funds to finance its expansion plan while maintaining sufficient working capital for our Group’s operations.

*(iv) To reduce our reliance on Kin Wing Group, diversify our Company’s customer base and expand our market share, we intend to undertake more projects from both new and existing customers which impose surety bond condition on the tender.*

During the Track Record Period, Kin Wing Group generally did not require our Group to provide surety bond during the Track Record Period. As such, capitalising on the stable and sustainable business relationship with Kin Wing Group, we were more inclined to take on projects without surety bond condition from Kin Wing Group. However, owing to our Group’s objective to reduce our reliance on Kin Wing Group, diversify our customer base and expand our market share, we intend to undertake more projects, particularly projects of larger scale, from both existing customers and new customers. These new customers would generally impose the surety bond condition onto their invitations for tender. For instance, some existing customers would request our Group to provide surety bond as a tender condition in their large-scale contracts.

According to the Ipsos Report, it is not uncommon for subcontractors to be required to arrange with banks or insurance companies to provide surety bonds in the amount of usually 10 per cent. of the entire contract sum to their customers to ensure subcontractors’ due performance and observance of a subcontract. Our Directors observe that particularly for the contracts of larger contract sum, the main contractors usually impose the surety bond condition onto their invitations for tender. During the Track Record Period, based on the

## FUTURE PLANS AND USE OF PROCEEDS

financial resources available to our Company at that time, our Group, as a subcontractor, could only manage to undertake two projects involving site formation works and foundation works both related to “Hong Kong-Zhuhai-Macau Bridge” which required our Group to provide surety bonds and the bond amounts required in those projects amounted to approximately HK\$8.0 million. Hence, the number of projects that our Group is able to take on could be limited by our availability of financial resources for taking out surety bonds.

The surety bond condition imposed on our Group would result in the lock-up of a portion of our Group’s capital during the term of the surety bond and thereby affecting their liquidity position. If our Group intends to undertake more projects from main contractors other than Kin Wing Group, we have to succumb to the surety bond condition imposed on the tender documents. Otherwise, we have to either decline the invitations or submit a less competitive tender price solely for the purpose of maintaining its presence in the market, owing to the fact that it does not have sufficient financial resources to meet these surety bond requirements.

We have explored other alternatives to providing surety bonds in case we do not have sufficient funding to fulfil the surety bond conditions. If we decline to provide surety bond, our Group would have less bargaining power in the negotiation with customers for bidding a tender or concluding the terms of the contract. As such, our Group has to submit a more competitive tender price or concede to a less favourable term in a contract with a view to bidding a project.

In addition, some customers would require our Group to provide personal guarantee from Mr. Li for large scale projects if our Group declines to take out surety bonds. As it is always the objective of our Group to maintain financial independence from its Controlling Shareholders, our Group would try to refrain from seeking Mr. Li to provide personal guarantee in this regard.

(v) *Additional capital required to grasp the business opportunities and consolidate our Group’s market position*

For construction projects in Hong Kong, it is not uncommon for subcontractors to be required to arrange with banks to provide surety bonds or directors and/or shareholders of subcontractors to provide personal guarantee in the amount of certain percentage (usually 10%) of the contract sum to their customers to ensure subcontractor’s due performance and observance of a subcontract. During the Track Record Period and up to the Latest Practicable Date, our Group has taken out two surety bonds from a bank in the amount of HK\$8.0 million in favour of Customer B to secure the due performance of our Group’s obligations under the said contracts.

The surety bond requirement may result in the lock-up of a portion of our Group’s capital during the term of the surety bond and thereby affecting our liquidity position. Our Directors believe that the Listing will provide sufficient financial resources to satisfy our Group’s liquidity position and meet the surety bond requirement and other working capital requirements for the projects.

## FUTURE PLANS AND USE OF PROCEEDS

Our Directors take the view that without the proceeds from the Share Offer, our Group's current cash position would not be sufficient for us to provide the surety bonds for the projects of which it had received invitation for tenders and/or for the projects we intend to tender in 2018.

- **Necessity of having our own staff, machinery and equipment**

It is our Group's strategy to expand our market share and compete for more foundation and site formation projects. The number of site formation projects we are able to undertake hinges on (a) the availability of our operational resources including the size of its foundation and site formation machinery and available manpower resources; and (b) available working capital. Possession of sufficient machinery and equipment is critical to our project execution and maintain our works quality. Owing to the limit on the number of machinery and equipment on hand, we could be restricted to undertaking a limited number of foundation and site formation projects. As we expand our fleet of machinery and equipment, it is imperative to recruit sufficient number of plant operators to operate the machinery whereas recruitment of sufficient number of site workers is necessary to cater for our project needs if we take on more foundation and site formation projects. Furthermore, in tendering for new projects, availability of machinery and manpower resources are among the key assessment criteria. To increase our tender success rate for the projects to be tendered, it is necessary for us to enhance our competitiveness by establishing a strong fleet of machinery and a stronger workforce. As such, our Directors believe that we have immediate needs to raise fund to purchase 28 additional foundation and site formation machinery and equipment (including 26 evacuator and two lifting cranes) and recruit 13 staff (including office staff and on-site workers) to compete for more site formation projects.

- **Commercial rationale for the Listing**

- (i) Enhance our Group's corporate profile, credibility and brand awareness*

Our Directors consider that our major competitors in foundation and site formation industry in Hong Kong are mostly listed on the Stock Exchange. It is expected that both public and private customers would tend to give preference to contractors who have a public listing status with good reputation, transparent financial disclosures and regulatory supervision. The Listing will enhance our corporate profile and our credibility with our business stakeholders and different customers including contractors, developers and government authorities. Our Directors therefore believe that the Listing of our Company is the key strategy for us to enhance our level of competitiveness among other customers and other business stakeholders. Our Directors believe that achieving a listing status is a crucial and critical way for our Group to compete with its competitors given it is definite competitive advantages to which our new customers would give due weight in a competitive tendering process.

Moreover, we believe that the Listing will strengthen our internal control and corporate governance practices, which in turn would increase our customers' and suppliers' confidence on us and attract potential customers. The Directors consider that despite the listing expenses of approximately HK\$25.0 million, the Listing would bring about the above intangible benefit that could justify the costs, the risks and uncertainties involved in its listing application.

## FUTURE PLANS AND USE OF PROCEEDS

### *(ii) Enhance market status amongst customers, suppliers, subcontractors and employees*

Our Directors believe that a listing status will enhance our credibility with our subcontractors, suppliers and customers and thus, enhance our level of competitiveness in competing for and carrying out foundation works and/or site formation works projects. With such status, our Group can be differentiated from other competitors during the tendering process, enhancing our success rate in competing for sizable and profitable projects.

Our Directors expect that both public and private customers would tend to give preference to contractors who have a public listing status with good reputation, transparent financial disclosures and regulatory supervision. Our Directors therefore believe that the Listing of our Company is the key strategy for us to enhance our level of competitiveness among other customers and other business stakeholders. In the tendering forms, our Company is usually required to fill in whether we are a listing company or not.

To effectively implement our strategies involving staff trainings and acquisition of new machinery and equipment, our Directors further believe that as a listed company, we will be able to retain our existing staff more effectively, at both operational and administrative level. We believe that our staff will feel more stable and secured about their employment with us, rather than joining a private company, hence strengthening their morale at work. In turn, an integrated workforce will improve the quality of our services and efficiency of our day-to-day operations to the benefit of our long-term development and competitiveness.

### *(iii) Ease of raising funds in capital market for future business development*

Whilst our Group was able to expand our business using internally generated funds and bank borrowings during the Track Record Period and had been able to repay bank loans when they fell due in the past, our Group still plans to seek equity or equity-linked financing as it would ease our cash flow instead of debt financing and finance lease from bank or financial institutions due to the following reasons:

- (a) debt financing from banks or financial institutions normally requires collaterals, such as cash deposit, properties and/or personal guarantee from our Group and/or our Controlling Shareholders in order to secure bank borrowing for our Group, which would increase our reliance on our Controlling Shareholders and negatively affect our liquidity of cash. On the other hand, our Directors consider that as a group of private companies and/or a subcontractor usually does not have a large amount of fixed assets as collateral, it would be difficult for our Group, without a listing status, to obtain bank borrowings at a competitive rate without guarantee to be provided by our Controlling Shareholders. Taking into account the fact that (i) our Group's cash outflow exposure at the initial stage of each project; and (ii) it is necessary to maintain a disciplined financial strategy without exposing our Group to aggressive gearing in order to achieve sustainable growth in the long run, our Directors consider that the net proceeds from the Share Offer are necessary for the implementation of our business plans as opposed to debt financing given it is not permanent in nature and the interest expenses would impose additional cash flow burden to our Group;

## FUTURE PLANS AND USE OF PROCEEDS

- (b) heavy reliance on debt financing would subject our Group to the inherent risks of higher interest rate and finance costs. We estimate that the interest expenses from finance leases on normal commercial terms will amount to approximately HK\$0.2 million, HK\$0.7 million and HK\$1.3 million, respectively, for the three years ending 31 March 2020. Our Group's financial performance and liquidity may be negatively affected due to principal and interest payments if we proceed with debt financing to fund our business expansion; and
- (c) raising fund by way of finance lease is not practicable to our Group as we lack the machinery and equipment which are acceptable for the finance lease.

The Listing, which allows us to access the capital market for fund raising, will assist our future business development and strengthen our competitiveness; following such, we will be able to use secondary fund raising after listing for our future expansion plans and when necessary, through the issuance of equity and/or debt securities. While we will continue to obtain certain amount of banking facilities after Listing alongside with equity financing, our Directors believe that we would be in a better position to negotiate with banks and financial institutions if we are a listed company with enlarged capital structure.

By strengthening our financial position through fund-raising, we will also have more bargaining power when negotiating terms with our suppliers and subcontractors. Hence, our Group will then be able to maintain a lower level of gearing ratio, which will benefit our Groups and Shareholders as a whole, and enhance our capital structure. Our Directors therefore believe that the use of equity financing would avoid the risk of high interest rate generally associated with debt financing which exposes our Group to increasing financial costs in the future.

*(iv) Diversification of shareholder base and have more liquidity in trading of Shares*

Our Directors believe that the Listing will enhance the liquidity of the Shares which will be freely traded in the Stock Exchange when compared to the limited liquidity of the shares that are privately held before the Listing. Hence, our Directors consider that the Listing will enlarge and diversify our shareholder base and potentially lead to a more liquid market in the trading of our Shares.

# UNDERWRITING

## THE UNDERWRITERS

### Joint Bookrunners

Ample Orient Capital Limited  
ChaoShang Securities Limited

### Joint Lead Managers

ChaoShang Securities Limited  
Ample Orient Capital Limited  
Pacific Foundation Securities Limited  
Head & Shoulders Securities Limited  
Supreme China Securities Limited

### Co-Lead Managers

China-Hong Kong Link Securities Company Limited  
Grand Partners Securities Limited

### Public Offer Underwriters

ChaoShang Securities Limited  
Ample Orient Capital Limited  
Pacific Foundation Securities Limited  
Head & Shoulders Securities Limited  
Supreme China Securities Limited  
China-Hong Kong Link Securities Company Limited  
Grand Partners Securities Limited

## UNDERWRITING ARRANGEMENTS AND EXPENSES

### Public Offer

#### *Public Offer Underwriting Agreement*

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares 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, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to 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.

## UNDERWRITING

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 obligations of the Public Offer Underwriters to subscribe for, or procure subscribers for the Public Offer Shares are subject to termination. The Joint Bookrunners (for themselves and on behalf of the Underwriters) shall have the absolute right by notice in writing to our Company to terminate the Public Offer Underwriting Agreement with immediate effect at any time prior to 8:00 a.m. on the Listing Date (the “**Termination Time**”) if any of the following events shall occur prior to the Termination Time:

- (i) there comes to the notice of the Joint Bookrunners:
  - (a) any matter or event showing any of the representations, warranties, agreements and undertakings given to the Public Offer Underwriters under the Public Offer Underwriting Agreement (the “**Warranties**”) to be untrue, inaccurate or misleading in any material respect when given or repeated or there has been a breach of any of the Warranties or any other provisions of the Public Offer Underwriting Agreement by any party to the Public Offer Underwriting Agreement other than the Public Offer Underwriters which, in any such cases, is considered, in the reasonable opinion of the Joint Bookrunners, to be material in the context of the Public Offer; or
  - (b) any statement contained in this prospectus has become or been discovered to be untrue, incorrect or misleading in any material respect which is considered, in the reasonable opinion of the Joint Bookrunners, to be material in the context of the Public Offer; or
  - (c) any event, series of events, matters or circumstances occurs or arises on or after the date of the Public Offer Underwriting Agreement and before the Termination Time, being events, matters or circumstances which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the Warranties untrue, incorrect or misleading in any material respect, and which is considered, in the reasonable opinion of the Joint Bookrunners to be material in the context of the Public Offer; or
  - (d) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the reasonable opinion of the Joint Bookrunners, a material omission in the context of the Public Offer; or
  - (e) any event, act or omission which gives or is likely to give rise to any liability of a material nature of our Company and any of the executive Directors and our Controlling Shareholders arising out of or in connection with the breach of any of the Warranties; or

## UNDERWRITING

- (f) any breach by any party to the Public Offer Underwriting Agreement other than the Public Offer Underwriters of any provision of the Public Offer Underwriting Agreement which, in the reasonable opinion of the Joint Bookrunners, is material;
- (ii) there shall have developed, occurred, existed, or come into effect any event or series of events, matters or circumstances whether occurring or continuing on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
  - (a) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the PRC, BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business of our Group; or
  - (b) any change in, or any event or series of events or development resulting or likely to result in any change in Hong Kong, the PRC, BVI, the Cayman Islands or any of the jurisdictions relevant to the business of our Group, the local, regional or international financial, currency, political, military, industrial, economic, stock market or other market conditions or prospects; or
  - (c) any adverse change in the conditions of Hong Kong or international equity securities or other financial markets; or
  - (d) the imposition of any moratorium, suspension or material restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances; or
  - (e) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in Hong Kong, the PRC, BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or other jurisdiction relevant to our Group's business; or
  - (f) any adverse change or prospective adverse change in the business or in the financial or trading position or prospects of any member of our Group; or
  - (g) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the U.S. or by the European Union (or any member thereof) on Hong Kong or the PRC; or
  - (h) a general moratorium on commercial banking activities in the PRC or Hong Kong declared by the relevant authorities; or

## UNDERWRITING

- (i) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism, strike or lock-out;

which, in the reasonable opinion of the Joint Bookrunners acting in good faith:

- (a) is or will be, or is likely to be, adverse, in any material respect, to the business, financial or other condition or prospects of our Group taken as a whole; or
- (b) has or will have or is reasonably likely to have a material adverse effect on the success of the Share Offer or the level of the Offer Shares being applied for or accepted, or the distribution of the Offer Shares; or
- (c) makes it impracticable, inadvisable or inexpedient for the Public Offer Underwriters to proceed with the Public Offer as a whole.

For the above purpose:

- (a) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the U.S. or a material devaluation of the Renminbi against any foreign currencies shall be taken as an event resulting in a change in currency conditions; and
- (b) any normal market fluctuations shall not be construed as events or series of events affecting market conditions referred to above.

### **Undertakings to the Stock Exchange under the Listing Rules**

*By us*

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that, except pursuant to the Share Offer (including the exercise of any of the Adjustment Options), the Capitalisation Issue and the Share Option Scheme as described and contained in this prospectus, 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 securities will be completed within six months from the Listing Date), except for the circumstances as permitted by Rule 10.08(1) to (5) of the Listing Rules.

## UNDERWRITING

### *By our Controlling Shareholders*

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company respectively that, except pursuant to the Share Offer and the Stock Borrowing Agreement, it/he shall not and shall procure that the relevant registered shareholder(s) shall not:

- (a) in the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those Shares in respect of which it/he is shown by this prospectus to be the beneficial owners; or
- (b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders would cease to be controlling shareholders (as defined in the Listing Rules) on a collective basis.

Each of the Controlling Shareholders has also undertaken to the Stock Exchange and our Company respectively that, within the period commencing on the date by reference to which disclosure of its/his shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he will:

- (a) when it/he pledges or charges any Shares beneficially owned by it/him in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) pursuant to Note 2 to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of Shares so pledged or charged; and
- (b) when it/he 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 us of such indications.

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 Listing Rules as soon as possible.

### **Undertakings Pursuant to the Public Offer Underwriting Agreement**

Pursuant to the Public Offer Underwriting Agreement, our Company had undertaken to each of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers and the Public Offer Underwriters that, except pursuant to the Share Offer (including pursuant to any of the Adjustment Options), the Capitalisation Issue, the grant of options under the Share Option Scheme and the issue of Shares upon exercise of any such options or as otherwise permitted under the Listing Rules, our Company will not, and our Company, our Controlling Shareholders and each of our executive Directors will procure, that our subsidiaries will not, unless with the prior written consent of the Joint

## UNDERWRITING

Bookrunners (for themselves and on behalf of the Underwriters), such consent not to be unreasonably withheld or delayed, and in compliance with the requirements of the Listing Rules, during the six months immediately following the Listing Date (the “**First Six-month Period**”):

- (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, warrants or other rights to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of its share capital, debt capital or any securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, 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 such share capital, debt capital or other securities of our Company or interest therein; or
- (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or
- (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above;

whether any of the foregoing transactions described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so.

In the event of our Company doing any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the First Six-month Period (the “**Second Six-month Period**”), it will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any Shares or other securities of our Company.

Each of our Controlling Shareholders has jointly and severally undertaken to each of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Co-Lead Managers, the Public Offer Underwriters and the Company that during the First Six-month Period, it or he shall not, and shall procure that the relevant registered holder(s) and it/his associates and companies controlled by it/he and any nominee or trustee holding in trust for it/him shall not, without the prior written consent of the Joint Bookrunners, unless pursuant to the Stock Borrowing Agreement and/or the Share Option Scheme or otherwise in compliance with the requirements of the Listing Rules:

- (i) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any options, warrants or other rights to purchase or subscribe for, make any share sale, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of its share capital, debt capital or any securities of our Company or any of our subsidiaries or any interest therein (including but not limited to any

## UNDERWRITING

warrants and securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any such share capital or securities or interest therein, 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 such share capital, debt capital or other securities of our Company or interest therein; or
- (iii) agree (conditionally or unconditionally) to enter into or effect any transaction with the same economic effect as any of the transactions referred to in paragraphs (i) or (ii) above; or
- (iv) announce any intention to enter into or effect any of the transactions referred to in paragraphs (i), (ii) or (iii) above;

whether any of the foregoing transactions described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so.

Each of our Controlling Shareholders has also jointly and severally undertaken to the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Public Offer Underwriters and our Company that it/he shall not, and shall procure that the relevant registered holder(s) and it/his associates or companies controlled by it/him and any nominee or trustee holding in trust for it or him shall not, without the prior written consent of the Joint Bookrunners unless pursuant to the Stock Borrowing Agreement and/or the Share Option Scheme and unless in compliance with the Listing Rules, at any time during the Second Six-month Period, dispose of, or enter into any of the transaction in paragraphs (i), (ii) or (iii) above or agree or contract to or publicly announce any intention to enter into any such transaction if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, transfer, he/it will cease to be a controlling shareholder (as defined in the Listing Rules) or would together with the other Controlling Shareholders cease to be/or regarded as controlling shareholders (as defined in the Listing Rules) on a collective basis.

In the event of a disposal of any of the Shares or securities of our Company directly or indirectly beneficially owned by it or him or any interest therein within the Second Six-month Period, the relevant Controlling Shareholder shall take all reasonable steps to ensure that such a disposal will not create a disorderly or false market for any Shares or other securities of our Company.

Each of our Controlling Shareholders has further undertaken to each of the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, our Company and the Public Offer Underwriters that within the first twelve months from the Listing Date, it/he will:

- (i) when it/he pledges or charges any securities or interests in the securities of our Company beneficially owned by him or it directly or indirectly, immediately inform our Company and the Joint Bookrunners in writing of such pledges or charges together with the number of securities and nature of interests so pledged or charged; and

## UNDERWRITING

- (ii) when it/he receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Joint Bookrunners in writing of such indications.

Our Company will inform the Stock Exchange as soon as we have been informed of the matters above (if any) by the Controlling Shareholders and disclose such matters by way of a press announcement.

### **The Placing**

In connection with the Placing, it is expected that our Company will enter into the Placing Underwriting Agreement with, among others, the Placing Underwriters, 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 Underwriters will severally agree to subscribe or procure subscribers for the Placing Shares being offered pursuant to the Placing.

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 — Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

It is expected that each of our Controlling Shareholders will undertake to the Placing Underwriters 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 — Undertakings pursuant to the Public Offer Underwriting Agreement” in this section.

### **Commissions and expenses**

The Underwriters will receive a gross underwriting commission at the rate of 3.0% of the aggregate Offer Price payable for the Offer Shares (including Shares to be issued pursuant to any of the Adjustment Options), out of which they will pay any sub-underwriting commissions. Such commission, together with the Stock Exchange listing fees, the Stock Exchange trading fees, the SFC transaction levy, legal and other professional fees, printing, and other expenses relating to the Share Offer, is currently estimated to be approximately HK\$25.0 million in aggregate (based on an Offer Price of HK\$0.45 per Share, being the mid-point of the indicative Offer Price range of HK\$0.38 and HK\$0.52 and the assumption that none of the Adjustment Options is exercised).

## **UNDERWRITING**

### **UNDERWRITERS' INTERESTS IN OUR COMPANY**

The Underwriters will receive an underwriting commission and/or praecipium. Particulars of these underwriting commission and expenses are set forth under the paragraph headed “Underwriting arrangements and expenses — Commissions and expenses” above.

Save for their obligations under the Underwriting Agreements, none of the Underwriters is interested legally or beneficially in any shares of any member of our Group nor has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group nor any interest in the Share Offer.

### **INDEPENDENCE OF THE SOLE SPONSOR**

Dakin Capital Limited, being the Sole Sponsor, satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

### **RESTRICTIONS ON THE OFFER SHARES**

No action has been taken to permit a public offering of the Offer Shares other than in Public Offer, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. In particular, the Offer Shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the PRC.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### THE PUBLIC OFFER

#### Number of Shares initially offered

Our Company is initially offering 22,500,000 Shares at the Offer Price, representing 10% of the 225,000,000 Shares initially available under the Share Offer, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Public Offer will represent 2.5% of the total issued share capital of our Company immediately after completion of the Share Offer, assuming that none of the Adjustment Option is exercised. The Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Completion of the Public Offer is subject to the conditions set out in the paragraph headed “Conditions of the Public Offer” in this section.

#### Conditions of the Public Offer

Acceptance of all applications for the Public Offer Shares in the Public Offer will be conditional on:

- (i) the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer (including any Shares which may be issued pursuant to the exercise of any of the Adjustment Option or any option which may be granted under the Share Option Scheme) (which shall in any event not be later than the 30th day after the date of this prospectus);
- (ii) the Offer Price having been fixed on or around the Price Determination Date;
- (iii) the execution and delivery of the Placing Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

**If, for any reason, the Offer Price is not agreed on or around Monday, 16 October 2017 between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), the Share Offer will not proceed and will lapse.**

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming and remaining unconditional and not having been terminated in accordance with its respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Public

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Offer will be published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and us at [www.wingchiholdings.com](http://www.wingchiholdings.com) on the next day following such lapse. In such situation, all application monies will be refunded, without interest, on the terms set out in the section headed “How to apply for the Public Offer Shares” in this prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong). Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date provided that: (i) the Share Offer has become unconditional; and (ii) neither of the Underwriting Agreements has been terminated in accordance with the terms therein.

### Allocation

For allocation purposes only, the Public Offer Shares initially being offered for subscription under the Public Offer (after taking into account any adjustment in the number of Offer Shares allocated between the Public Offer and the Placing) will be divided equally into two pools (subject to adjustment of odd lot size). Pool A will comprise 11,250,000 Public Offer Shares and Pool B will comprise 11,250,000 Public Offer Shares, both of which are available on a fair basis to successful applicants. All valid applications that have been received for Public Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of HK\$5 million or below will fall into Pool A and all valid applications that have been received for Public Offer Shares with a total amount (excluding the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee) of over HK\$5 million and up to the total value of Pool B will fall into Pool B.

Applicants should be aware that applications in Pool A and Pool B are likely to receive different allocation ratios. If Public Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. Applicants can only receive an allocation of Public Offer Shares from either Pool A or Pool B but not from both pools and may only apply for Public Offer Shares in either Pool A or Pool B. In addition, multiple or suspected multiple applications within either pool or between pools will be rejected. No application will be accepted from applicants for more than 11,250,000 Public Offer Shares (being 50% of the initial number of Public Offer Shares).

### Reallocation

The allocation of the Shares between the Public Offer and the Placing is subject to adjustment. If the number of Shares validly applied for in the Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Shares initially available under the Public Offer, the total number of Shares available under the Public Offer will be increased to 67,500,000, 90,000,000 and 112,500,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Share Offer (before any exercise of the Adjustment Options). In such cases, the number of Shares allocated in the Placing will be correspondingly reduced in such manner as the Joint Bookrunners deem appropriate, and such additional Shares will be allocated to Pool A and Pool B equally.

## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

If the Public Offer Shares are not fully subscribed, the Joint Bookrunners have the authority to reallocate all or any unsubscribed Public Offer Shares to the Placing. In addition, the Joint Bookrunners may reallocate Offer Shares from 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.

### **Applications**

The Joint Bookrunners may require any investor who has been offered 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 it to identify the relevant applications under the Public Offer and to ensure that it is excluded from any application for Shares under the Public Offer.

Each applicant under the Public Offer will also be required to give an undertaking and confirmation in the application submitted by him that he and any person for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing, and such applicant's application is liable to be rejected if the said undertaking or confirmation is breached or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the Placing.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Public Offer.

### **THE PLACING**

#### **Number of Offer Shares offered**

The number of Shares to be initially offered for subscription under the Placing will be 202,500,000 Shares, representing 90% of the Offer Shares under the Share Offer. The Placing is subject to the Public Offer being unconditional.

#### **Allocation**

Allocation of the Offer Shares pursuant to the Placing will be determined by the Joint Bookrunners and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell the Offer Shares after Listing. Such allocation may be made to professional, institutional and other investors and is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a stable shareholder base to the benefit of our Company and our Shareholders as a whole.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### ADJUSTMENT OPTIONS

In connection with the Share Offer, our Company will grant either of the Adjustment Options to the Joint Bookrunners (for themselves and on behalf of the Underwriters) under the Underwriting Agreements.

#### Offer Size Adjustment Option

If the final Offer Price as agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) is less than HK\$0.45 and as a result, the size of the Share Offer is less than HK\$100 million, the Joint Bookrunners (for themselves or on behalf of the Underwriters) can only exercise the Offer Size Adjustment Option to cover over-allocations under the Placing. The Offer Size Adjustment Option can only be exercised prior to Listing, otherwise it will lapse. Pursuant to the Offer Size Adjustment Option, our Company may be required to allot and issue up to an aggregate of 33,750,000 additional Placing Shares, representing 15% of the Offer Shares initially available under the Share Offer. These Shares will be sold or issued at the Offer Price.

For the avoidance of doubt, the Shares to be issued pursuant to the exercise of the Offer Size Adjustment Option would not be used for any purposes other than settlement of over-allocations in the Share Offer. Hence, it will not form part of the price stabilising actions. The Offer Size Adjustment Option would not be used for price stabilising purposes and is not subject to the Securities and Futures (Price Stabilizing) Rules under the SFO. No purchase of the Shares in the secondary market will be effected 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. The allotment results announcement will be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.wingchiholdings.com](http://www.wingchiholdings.com).

If the Offer Size Adjustment Option is exercised in full, the additional 33,750,000 Shares and the 225,000,000 Shares initially offered in the Share Offer will represent approximately 3.61% and 24.10% of our Company's enlarged share capital respectively immediately after completion of the Share Offer and the exercise in full of the Offer Size Adjustment Option. The additional net proceeds received from the offer 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" in this prospectus.

#### Over-allotment Option

If the final Offer Price as agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) is HK\$0.45 or above, the size of the Share Offer is not less than HK\$100 million. In such event, the Joint Bookrunners (for themselves or on behalf of the Placing Underwriters) can exercise the Over-allotment Option, which will be exercisable at any time from the date of this prospectus to the 30th day from the last day for lodging applications under the Share Offer.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

Pursuant to the Over-allotment Option, our Company may be required to allot and issue up to an aggregate of 33,750,000 additional Shares, representing 15% of the Offer Shares initially available under the Share Offer. These Shares will be sold or issued at the Offer Price.

If the Over-allotment Option is exercised in full, the additional 33,750,000 Shares and the 225,000,000 Shares initially offered in the Share Offer will represent approximately 3.61% and 24.10% of our Company's enlarged share capital respectively immediately after completion of the Share Offer and the exercise in full of the Over-allotment Option.

### STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial offer prices of the securities. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited, and the price at which stabilisation is effected is not permitted to exceed the Offer Price.

If the final Offer Price as agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters) is HK\$0.45 or above, the size of the Share Offer is not less than HK\$100 million. In such event, in connection with the Share Offer, ChaoShang Securities Limited, as the Stabilising Manager or its authorised agents, may, but is not obliged to, over-allocate Shares and/or effect any other transactions with a view to stabilising or supporting the market price of our Shares at a level higher than which might otherwise prevail in the open market, for a limited period. Such stabilising activity may include stock borrowing, making market purchases of Shares in the secondary market or selling Shares to liquidate a position held as a result of those purchases, as well as exercising the Over-allotment Option. Any such stabilising activity will be effected in compliance with all applicable laws, rules and regulatory requirements in Hong Kong on stabilisation including the Securities and Futures (Price Stabilizing) Rules made under the SFO. However, there is no obligation on the Stabilising Manager or its authorised agents to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilising Manager or its authorised agents and may be discontinued at any time. The number of Shares that may be overallocated will not exceed the number of Shares that may be issued under the Over-allotment Option, namely 33,750,000 Shares, which is 15% of the number of Shares initially available under the Share Offer.

As a result of effecting transactions to stabilise or maintain the market price of our Shares, the Stabilising Manager or its authorised agents may maintain a long position in our Shares. The size of the long position, and the period for which the Stabilising Manager or its authorised agents will maintain the long position is at the discretion of the Stabilising Manager or its authorised agents and is uncertain. In the event that the Stabilising Manager or its authorised agents liquidates this long position by making sales in the open market, this may lead to a decline in the market price of our Shares.

Stabilising activity by the Stabilising Manager or its authorised agents is not permitted to support the price of our Shares for longer than the stabilising period, which begins on the day on which trading of our Shares commences on the Stock Exchange and ends on the 30th day from the last day for lodging applications under the Share Offer. The stabilising period is expected to end on 8 November 2017.

## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

Any stabilising activity taken by the Stabilising Manager or its authorised agents may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilising period. Bids for or market purchases of our Shares by the Stabilising Manager or its authorised agents may be made at a price at or below the Offer Price and therefore at or below the price paid for our Shares by investors.

In order to facilitate the settlement of over-allocations, the Stabilising Manager or its authorised agents may, among other means, purchase Shares in the secondary market, enter into stock borrowing arrangements with holders of Shares, exercise the Over-allotment Option, engage in a combination of these means or otherwise as may be permitted under applicable laws. Any such secondary market purchases will be made in compliance with all applicable laws, rules and regulations.

### **STOCK BORROWING AGREEMENT**

ChaoShang Securities Limited, as the Stabilising Manager or its authorised agents may borrow up to 33,750,000 Shares from Colourfield Global, equivalent to the maximum number of additional Shares to be offered upon full exercise of the Over-allotment Option, under the Stock Borrowing Agreement. The Stock Borrowing Agreement will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with.

### **PRICING AND ALLOCATION**

#### **Determining the Offer Price**

The Placing Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the Placing. Prospective professional, institutional and other investors will be required to specify the number of Offer Shares under the Placing which they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Public Offer.

Pricing for the Offer Shares for the purpose of the various offerings under the Share Offer will be fixed on the Price Determination Date, which is expected to be on or around 13 October 2017 and in any event no later than 16 October 2017, by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

#### **Offer Price Range**

The Offer Price will be not more than HK\$0.52 per Share and is expected to be not less than HK\$0.38 per Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Public Offer, as further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

### **Price Payable on Application**

Applicants for Public Offer Shares under the Public Offer are required to pay, on application, the maximum Offer Price of HK\$0.52 for each Public Offer Share (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%), amounting to a total of HK\$3,151.44 for each board lot of 6,000 Shares. If the Offer Price is less than HK\$0.52, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applications.

If, for any reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before 16 October 2017, the Share Offer will not proceed and will lapse.

### **Reduction in Indicative Offer Price Range and/or Number of Offer Shares**

The Joint Bookrunners (for themselves and on behalf of the Underwriters), may, where considered appropriate, based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, reduce the indicative Offer Price range and/or the number of Offer Shares below those stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published in The Standard (in English) and the Hong Kong Economic Journal (in Chinese) and posted on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the website of our Company ([www.wingchiholdings.com](http://www.wingchiholdings.com)) notices of the reduction. Upon issue of such a notice, the revised indicative Offer Price range and/or number of Offer Shares will be final and conclusive and the Offer Price, if agreed upon by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company will be fixed within such revised range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Share Offer statistics as currently set out in this prospectus, and any other financial information which may change materially as a result of such reduction.

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the indicative Offer Price range and/or number of Offer Shares may not be made until the day which is the last day for lodging applications under the Public Offer. In the absence of any such announcement so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, will under no circumstances be set outside the Offer Price range as stated in this prospectus. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants under the Public Offer 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.

In the event of a reduction in the number of Offer Shares, the Joint Bookrunners may, at their discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer. The Offer Shares to be offered in the Public Offer and the Offer Shares to be offered in the Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Bookrunners.

## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

### **Announcement of Offer Price and Basis of Allocations**

The final Offer Price, the level of indications of interest in the Share Offer, the results of applications and the basis of allotment of the Public Offer Shares are expected to be announced on 19 October 2017 and to be posted on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and on the website of our Company ([www.wingchiholdings.com](http://www.wingchiholdings.com)).

### **UNDERWRITING**

The Public Offer is fully underwritten by the Public Offer Underwriters under the terms of the Public Offer Underwriting Agreement and is subject to our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the Placing Underwriting Agreement relating to the Placing on or around the Price Determination Date.

These underwriting arrangements, and the Underwriting Agreements, are summarised in the section headed “Underwriting” in this prospectus.

### **SHARES WILL BE ELIGIBLE FOR CCASS**

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### **DEALING ARRANGEMENTS**

Assuming that the Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on 20 October 2017, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on 20 October 2017. The Shares will be traded in board lots of 6,000 Shares.

## HOW TO APPLY FOR THE 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:

- (i) are 18 years of age or older;
- (ii) have a Hong Kong address;
- (iii) are outside the US and not a US person (within the meaning of Regulation S); and
- (iv) 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, 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.

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- (i) an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- (ii) a Director or chief executive officer of our Company and/or any of its subsidiaries;
- (iii) a core connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Share Offer;
- (iv) a close associate (as defined in the Listing Rules) of any of the above; and

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (v) 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 between 9:00 a.m., 30 September 2017 until 12:00 noon, 9 October 2017 from:

- (i) the following offices of the Public Offer Underwriters:

**Ample Orient Capital Limited**

Room A, 17/F, Fortune House,  
61 Connaught Road Central,  
Central,  
Hong Kong

**ChaoShang Securities Limited**

Room 4001-02, China Resources Building,  
26 Harbour Road,  
Wanchai,  
Hong Kong

**Pacific Foundation Securities Limited**

11/F New World Tower II,  
16-18 Queen's Road Central,  
Hong Kong

**Head & Shoulders Securities Limited**

Room 2511 25/F Cosco Tower,  
183 Queen's Road Central,  
Hong Kong

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

### **Supreme China Securities Limited**

Suites 2701–2, 27/F,  
Everbright Centre,  
108 Gloucester Road,  
Wanchai,  
Hong Kong

### **China-Hong Kong Link Securities Company Limited**

19/F, 80 Gloucester Road  
Wanchai  
Hong Kong

### **Grand Partners Securities Limited**

9/F, Connaught Harbourfront House  
35–36 Connaught Road West  
Hong Kong

- (ii) the following office of the Sole Sponsor:

### **Dakin Capital Limited**

Room 2701, Admiralty Centre  
Tower 1, 18 Harcourt Road  
Admiralty  
Hong Kong

- (iii) any of the following branches of Bank of Communications Co., Ltd. Hong Kong Branch:

<b>District</b>	<b>Branch Name</b>	<b>Address</b>
<b>Hong Kong Island</b>	Hong Kong Branch	20 Pedder Street, Central
	Quarry Bay Sub-Branch	Shops 3 and 4 on G/F., 981A–981F King's Road, Chung Hing Mansion, Quarry Bay
<b>Kowloon</b>	Cheung Sha Wan Plaza Sub-Branch	Unit G04 on G/F., Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road
<b>New Territories</b>	Tiu Keng Leng Sub-Branch	Shops Nos. L2-064 and L2-065, Level 2, Metro Town, Tiu Keng Leng
	Market Street Sub-Branch	G/F., 49-55 Tsuen Wan Market Street, Tsuen Wan

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m., 30 September 2017 until 12:00 noon, 9 October 2017 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of Communications (Nominee) Co. Ltd. — Wing Chi 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:

<b>Saturday, 30 September 2017</b>	—	<b>9:00 a.m. to 1:00 p.m.</b>
<b>Tuesday, 3 October 2017</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Wednesday, 4 October 2017</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Friday, 6 October 2017</b>	—	<b>9:00 a.m. to 5:00 p.m.</b>
<b>Saturday, 7 October 2017</b>	—	<b>9:00 a.m. to 1:00 p.m.</b>
<b>Monday, 9 October 2017</b>	—	<b>9:00 a.m. to 12:00 noon</b>

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 9 October 2017, the last application day or such later time as described in "9. Effect of bad weather on the opening of the applications lists" below.

#### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form, among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Bookrunners and the Joint Lead Managers (or their agents or nominees), as agent 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;
- (b) agree to comply with the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (c) 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;
- (d) 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;
- (e) confirm that you are aware of the restrictions on the Share Offer in this prospectus;

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (f) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (g) 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;
- (h) agree to disclose to our Company, our Hong Kong Branch Share Registrar, receiving bank, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that (i) you understand that the Public Offer Shares have not been and will not be registered under the US Securities Act; and (ii) you and any person for whose benefit you are applying for the Public Offer Shares are outside the US (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (o) 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 for joint application by ordinary post at your own risk to the address stated on the application, unless you have fulfilled the criteria mentioned in the paragraph headed "13. Despatch/collection of share certificates and refund monies-Personal collection" in this section to collect the share certificate(s) and/or refund cheque(s) in person;
- (p) 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;

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (q) understand that our Company and the Joint Bookrunners and Joint Lead Managers 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;
- (r) (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
- (s) (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).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited  
Customer Service Center  
1/F, One & Two Exchange Square  
8 Connaught Place  
Central  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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:

- (a) 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;
- (b) HKSCC Nominees will do the following things on your behalf:
  - (i) 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;
  - (ii) agree to accept the Public Offer Shares applied for or any lesser number allocated;
  - (iii) undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
  - (iv) (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;
  - (v) (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;
  - (vi) confirm that you understand that our Company, the 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;
  - (vii) 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;
  - (viii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (ix) 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;
- (x) agree that none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- (xi) agree to disclose your personal data to our Company, the Hong Kong Branch Share Registrar, receiving bank, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents;
- (xii) 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;
- (xiii) 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 our Company 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 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;
- (xiv) 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;
- (xv) 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;
- (xvi) 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

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and

(xvii) 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:

- (i) 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;
- (ii) 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
- (iii) 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 6,000 Public Offer Shares. Instructions for more than 6,000 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**

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>, Tuesday, 3 October 2017
- 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>, Wednesday, 4 October 2017
- 8:00 a.m. to 8:30 p.m.<sup>(1)</sup>, Friday, 6 October 2017
- 8:00 a.m.<sup>(1)</sup> to 12:00 noon, Monday, 9 October 2017

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

*Note:*

1. These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 8:00 a.m. on 30 September 2017 until 12:00 noon on 9 October 2017 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Monday, 9 October 2017, the last application day or such later time as described in “9. Effect of bad weather on the opening of the application lists” below.

### **No Multiple Applications**

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of 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 advisors 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 a facility is subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Sole 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/CCASS Internet System for submission of electronic application

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

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 9 October 2017.

### 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:

- (i) an account number; or
- (ii) 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:

- (i) the principal business of that company is dealing in securities; and
- (ii) 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:

- (i) control the composition of the board of directors of the company;
- (ii) control more than half of the voting power of the company; or
- (iii) 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 Shares under the terms set out in the Application Forms.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

You may submit an application using a **WHITE** or **YELLOW** Application Form in respect of a minimum of 6,000 Public Offer Shares. Each application or electronic application instruction in respect of more than 6,000 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).

Please see “Structure and conditions of the Share Offer — Pricing and allocation” for further details regarding the Offer Price.

### 9. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- (i) a tropical cyclone warning signal number 8 or above; or
- (ii) a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on 9 October 2017. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on 9 October 2017 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected timetable” in this prospectus, an announcement will be made in such event.

### 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 19 October 2017 on our Company’s website at **www.wingchiholdings.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and date and in the manner specified below:

- (i) in the announcement to be posted on our Company’s website at **www.wingchiholdings.com** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 9:00 a.m. on 19 October 2017;
- (ii) from the designated results of allocations website at **www.tricor.com.hk/ipo/result** with a “search by ID” function on a 24-hour basis from 8:00 a.m. on 19 October 2017 to 12:00 midnight on 25 October 2017;

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (iii) by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from 19 October 2017 to 24 October 2017 on a Business Day; and
- (iv) in the special allocation results booklets which will be available for inspection during opening hours from 19 October 2017 to 23 October 2017 at all the receiving bank designated branches and sub-branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the 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 “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:

#### **(a) If your application is revoked:**

By completing and submitting an Application Form or giving electronic application instructions to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

**(b) If our Company or its 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.

**(c) If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- (i) within three weeks from the closing date of the application lists; or
- (ii) within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

**(d) If:**

- (i) you make multiple applications or suspected multiple applications;
- (ii) 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;
- (iii) your Application Form is not completed in accordance with the stated instructions;
- (iv) your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- (v) the Underwriting Agreements do not become unconditional or are terminated;
- (vi) our Company or the Joint Bookrunners believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- (vii) your application is for more than 50% of the 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 finally determined is less than the maximum offer price of HK\$0.52 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 Public Offer" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared. Any refund of your application monies will be made on or before 19 October 2017.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

### 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:

- (i) 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
- (ii) 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 Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s).

Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s). Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before 19 October 2017. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on 20 October 2017 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

### 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on 19 October 2017 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 or before 19 October 2017 by ordinary post and at your own risk.

#### *(ii) If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, 19 October 2017, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(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 19 October 2017, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- If you apply through a designated CCASS Participant (other than a CCASS Investor Participant). For 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

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

HKSCC before 5:00 p.m. on 19 October 2017 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*

- (i) 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 19 October 2017, or, on any other date determined by HKSCC or HKSCC Nominees.
- (ii) 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 "Publication of Results" above on 19 October 2017. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on 19 October 2017 or such other date as determined by HKSCC or HKSCC Nominees.
- (iii) 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.
- (iv) 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 19 October 2017. 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.

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

- (v) 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 19 October 2017.

### **14. ADMISSION OF THE SHARES INTO CCASS**

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

Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor 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, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong.



SHINEWING (HK) CPA Limited  
43/F, Lee Garden One  
33 Hysan Avenue  
Causeway Bay, Hong Kong

## ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF WING CHI HOLDINGS LIMITED AND DAKIN CAPITAL LIMITED

### INTRODUCTION

We report on the historical financial information of Wing Chi Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages I-3 to I-42, which comprises consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the three years ended 31 March 2017 (the "Track Record Period"), and consolidated statements of financial position of the Group as at 31 March 2015, 2016 and 2017, statement of financial position of the Company as at 31 March 2017 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-3 to I-42 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 September 2017 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

### DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors 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 Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that

gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**OPINION**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group as at 31 March 2015, 2016 and 2017 and of the financial position of the Company as at 31 March 2017 and of the financial performance and cash flows of the Group for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

**REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE MAIN BOARD OF THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISION) ORDINANCE****ADJUSTMENTS**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

**DIVIDENDS**

We refer to Note 15 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Track record Period.

**NO HISTORICAL FINANCIAL STATEMENTS FOR THE COMPANY**

No financial statements have been prepared for the Company since its date of incorporation to the date of this report.

**SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

**Chan Wing Kit**

Practising Certificate Number: P03224

Hong Kong

30 September 2017

## A. HISTORICAL FINANCIAL INFORMATION OF THE GROUP

**Preparation of the Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by SHINEWING (HK) CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	<i>Notes</i>	<b>Year ended 31 March</b>		
		<b>2015</b>	<b>2016</b>	<b>2017</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	8	238,778	349,021	380,657
Cost of sales		<u>(214,116)</u>	<u>(313,253)</u>	<u>(334,315)</u>
Gross profit		24,662	35,768	46,342
Other income	9	779	1,138	1,704
Administrative expenses		(10,088)	(10,528)	(17,655)
Finance costs	10	<u>(751)</u>	<u>(879)</u>	<u>(847)</u>
Profit before taxation		14,602	25,499	29,544
Income tax expense	11	<u>(2,783)</u>	<u>(4,194)</u>	<u>(6,161)</u>
Profit and total comprehensive income for the year	12	<u><u>11,819</u></u>	<u><u>21,305</u></u>	<u><u>23,383</u></u>
Earnings per share:				
Basic and diluted	16	<u><u>1.8 cents</u></u>	<u><u>3.2 cents</u></u>	<u><u>3.5 cents</u></u>

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		The Group			The
		At 31 March			Company*
		2015	2016	2017	2017
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Plant and equipment	17	24,815	22,572	23,914	—
Investment property	18	—	—	6,300	—
Deferred tax assets	26	11	—	—	—
Investments in subsidiaries		—	—	—	74,778
		<u>24,826</u>	<u>22,572</u>	<u>30,214</u>	<u>74,778</u>
Current assets					
Amounts due from customers for contract work	19	22,590	23,795	35,452	—
Trade and other receivables	20	18,168	36,620	31,213	1,823
Bank balances and cash	21	<u>13,591</u>	<u>10,002</u>	<u>21,328</u>	<u>—</u>
		<u>54,349</u>	<u>70,417</u>	<u>87,993</u>	<u>1,823</u>
Current liabilities					
Amounts due to customers for contract work	19	4,955	7,861	3,416	—
Trade and other payables	22	14,897	14,144	23,507	801
Amount due to a director	23	14,510	9,005	1,059	—
Amount due to a subsidiary	23	—	—	—	5,201
Borrowings	24	7,263	7,766	12,147	—
Obligations under finance leases — due within one year	25	3,963	3,120	735	—
Tax payable		<u>3,314</u>	<u>1,065</u>	<u>4,100</u>	<u>—</u>
		<u>48,902</u>	<u>42,961</u>	<u>44,964</u>	<u>6,002</u>
Net current assets (liabilities)		<u>5,447</u>	<u>27,456</u>	<u>43,029</u>	<u>(4,179)</u>
Total assets less current liabilities		<u>30,273</u>	<u>50,028</u>	<u>73,243</u>	<u>70,599</u>

		The Group		The Company*	
		At 31 March		At 31 March	
		2015	2016	2017	2017
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current liabilities					
Obligations under finance leases					
— due after one year	25	3,443	1,820	1,085	—
Deferred tax liabilities	26	<u>919</u>	<u>992</u>	<u>1,559</u>	<u>—</u>
		<u>4,362</u>	<u>2,812</u>	<u>2,644</u>	<u>—</u>
		<u>25,911</u>	<u>47,216</u>	<u>70,599</u>	<u>70,599</u>
Capital and reserves					
Share capital	27	10	10	—	—
Reserves		<u>25,901</u>	<u>47,206</u>	<u>70,599</u>	<u>70,599</u>
		<u>25,911</u>	<u>47,216</u>	<u>70,599</u>	<u>70,599</u>

\* The statement of financial position of the Company as at 31 March 2017 includes the issued share capital which is less than HK\$1,000.

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Merger reserve <i>(Note)</i> <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total
At 1 April 2014	10	—	14,082	14,092
Profit and total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>11,819</u>	<u>11,819</u>
At 31 March 2015 and 1 April 2015	10	—	25,901	25,911
Profit and total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>21,305</u>	<u>21,305</u>
At 31 March 2016 and 1 April 2016	10	—	47,206	47,216
Profit and total comprehensive income for the year	—	—	23,383	23,383
Arising from reorganisation of the Group <i>(note 27)</i>	<u>(10)</u>	<u>10</u>	<u>—</u>	<u>—</u>
At 31 March 2017	<u><u>—</u></u>	<u><u>10</u></u>	<u><u>70,589</u></u>	<u><u>70,599</u></u>

*Note:* Merger reserve represented the difference between the nominal value of the shares issued by the Company and the amount of issued share capital of the subsidiaries acquired pursuant to the group reorganisation.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
OPERATING ACTIVITIES			
Profit before taxation	14,602	25,499	29,544
Adjustments for:			
Bank interest income	(1)	—	—
Finance costs	751	879	847
Gain on disposal of held-for-trading investment	(118)	—	—
Loss (gain) on disposal of plant and equipment	123	110	(1,346)
Loss on revaluation on investment property	—	—	90
Government subsidy	(159)	(550)	(178)
Depreciation of plant and equipment	<u>6,375</u>	<u>8,189</u>	<u>8,814</u>
Operating cash flows before movements in working capital	21,573	34,127	37,771
Decrease in held-for-trading investment	668	—	—
Increase in amounts due from customers for contract work	(8,363)	(1,205)	(11,657)
(Decrease) increase in amounts due to customers for contract work	(1,636)	2,906	(4,445)
(Increase) decrease in trade and other receivables	(7,030)	(18,452)	5,407
Increase (decrease) in trade and other payables	<u>933</u>	<u>(753)</u>	<u>9,363</u>
Cash generated from operations	6,145	16,623	36,439
Income taxes paid	<u>—</u>	<u>(6,359)</u>	<u>(2,559)</u>
NET CASH GENERATED FROM OPERATING ACTIVITIES	<u>6,145</u>	<u>10,264</u>	<u>33,880</u>

	<b>Year ended 31 March</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>INVESTING ACTIVITIES</b>			
Purchase of plant and equipment	(3,133)	(3,913)	(11,905)
Purchase of investment property	—	—	(3,990)
Proceeds from disposal of plant and equipment	866	437	3,095
Government subsidy received	159	550	178
Interest received	<u>1</u>	<u>—</u>	<u>—</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<u>(2,107)</u>	<u>(2,926)</u>	<u>(12,622)</u>
<b>FINANCING ACTIVITIES</b>			
Repayment of borrowings	(3,137)	(3,709)	(10,127)
Repayment of obligations under finance leases	(2,825)	(5,046)	(3,120)
Interest paid	(751)	(879)	(847)
New borrowings raised	4,769	4,212	12,108
Advance from (repayment to) a director	<u>9,706</u>	<u>(5,505)</u>	<u>(7,946)</u>
<b>NET CASH GENERATED FROM (USED IN) FINANCING ACTIVITIES</b>	<u>7,762</u>	<u>(10,927)</u>	<u>(9,932)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	11,800	(3,589)	11,326
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<u>1,791</u>	<u>13,591</u>	<u>10,002</u>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash</b>	<u><u>13,591</u></u>	<u><u>10,002</u></u>	<u><u>21,328</u></u>

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

## 1. CORPORATE INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 13 March 2017. Its ultimate holding company and immediate holding company is also Colourfield Global Limited ("Colourfield Global") (incorporated in the British Virgin Islands (the "BVI")). The addresses of the registered office and the principal place of business of the Company are detailed in the section headed "Corporate information" of the Prospectus.

Pursuant to a group reorganisation (the "Reorganisation") as detailed in the section headed "History and Development" in the Prospectus, the Company became the holding company of the companies now comprising the Group upon the completion of the Reorganisation on 31 March 2017.

The Company is an investment holding company, while the principal subsidiaries are principally engaged in the provision of foundation and site formation works and machinery leasing.

All companies now comprising the Group have adopted 31 March as their financial year end date. At the date of this report, the Company has direct and indirect equity interests in the following subsidiaries comprising the Group, all of which are private companies. Particulars of which are set out below:

Name of company	Place and date of incorporation/ operation	Issued and fully paid ordinary share capital	Percentage of equity interest attributable to the Group				Principal activities
			as at 31 March 2015	as at 31 March 2016	as at 31 March 2017	as at the date of this report	
Infinite Merit Global Limited ("Infinite Merit")	British Virgin Islands (the "BVI") 20 February 2017	United State dollars ("US\$") 5	—	—	100%	100%	Investment holding
Novel Sign Investment Limited ("Novel Sign")	BVI 9 January 2017	US\$1	—	—	100%	100%	Investment holding
Harvest Year Ventures Limited ("Harvest Year")	BVI 15 February 2017	US\$1	—	—	100%	100%	Investment holding
Glory Ease Ventures Limited ("Glory Ease")	BVI 5 January 2017	US\$1	—	—	100%	100%	Investment holding
Billion Talent Enterprises Limited ("Billion Talent")	BVI 5 January 2017	US\$1	—	—	100%	100%	Investment holding
Lik Shing Engineering Company Limited ("Lik Shing Engineering")	Hong Kong 11 October 2007	Hong Kong Dollars ("HK\$") 10,000	100%	100%	100%	100%	Provision of construction work and machinery leasing service
Lik Shing Construction Company Limited ("Lik Shing Construction")	Hong Kong 26 June 2012	HK\$1	100%	100%	100%	100%	Provision of machinery leasing service
Lik Shing Construction Engineering Limited ("Lik Shing Construction Engineering")	Hong Kong 19 September 2014	HK\$1	100%	100%	100%	100%	Provision of repairing service and vehicle rental service
Crystal Future Global Limited ("Crystal Future")	BVI 5 January 2017	US\$1	—	—	100%	100%	Investment holding

Upon the completion of the Reorganisation, Infinite Merit is directly held by the Company while the other subsidiaries are indirectly held by the Group.

The statutory financial statements of Lik Shing Engineering, Lik Shing Construction and Lik Shing Construction Engineering for the years ended 31 March 2015 and 2016 were prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA and were audited by Global Vision CPA Limited, a Certified Public Accountant registered in Hong Kong.

The statutory financial statements for the year ended 31 March 2017 were yet to be issued as of the date of this report because these financial statements are only required for tax filing before tax deadlines of the respective subsidiaries in accordance with the tax law applicable to them.

No audited statutory financial statements have been prepared for the Company, Infinite Merit, Novel Sign, Harvest Year, Glory Ease, Billion Talent and Crystal Future since their respective dates of incorporation as they were incorporated in jurisdictions where there are no statutory audit requirements.

The Historical Financial Information is presented in Hong Kong dollars ("HK\$"), which is the same as the functional currency of the Company and its subsidiaries.

## 2. BASIS OF PREPARATION AND PRESENTATION OF THE HISTORICAL FINANCIAL INFORMATION

- (i) Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 31 March 2017. The companies now comprising the Group have been under the common control of and beneficially owned by Mr. Li Cheuk Kam ("Mr. Li") (the "Controlling Shareholder") throughout the Track Record Period or since their respective dates of incorporation, up to 31 March 2017 where this is a shorter period. As there was no change in the Controlling Shareholder before and after the Reorganisation, the Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the Historical Financial Information of the Group has been prepared and presented on the basis as if the Company had always been the holding company of the companies now comprising the Group throughout the Track Record Period, using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA as set out in note 4 below.

The consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the Track Record Period including the results, changes in equity and cash flows of the companies now comprising the Group as if the current group structure had been in existence throughout the Track Record Period or since their respective dates of incorporation up to 31 March 2017 where this is a shorter period. The consolidated statements of financial position of the Group as at 31 March 2015 and 2016 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 dates.

- (ii) As at 31 March 2017, the Company had net current liabilities of approximately HK\$4,179,000. In the opinion of the directors of the Company, the Company will have sufficient working capital for the twelve months after the end of the reporting period after taking into account the profitable operations and positive operating cash inflows of the Group. Thus, the directors of the Company consider that it is appropriate to prepare the Historical Financial Information on the going concern basis.

### 3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted all the new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards (“HKASs”), amendments and interpretation (“Int”) (hereinafter collectively referred to as “new and revised HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning on 1 April 2016 throughout the Track Record Period.

#### New and revised HKFRSs issued but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9 (2014)	Financial Instruments <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>2</sup>
HKFRS 16	Leases <sup>3</sup>
HK(IFRIC) Int 22	Foreign Currency Transactions and Advance Consideration <sup>2</sup>
HK(IFRIC) Int 23	Uncertainty over Income Tax Treatments <sup>3</sup>
Amendments to HKAS 7	Disclosure Initiative <sup>1</sup>
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>2</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>2</sup>
Amendments to HKFRS 4	Applying HKFRS 9 <i>Financial Instruments</i> with HKFRS 4 <i>Insurance Contracts</i> <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle <sup>5</sup>

1 Effective for annual periods beginning on or after 1 January 2017.

2 Effective for annual periods beginning on or after 1 January 2018.

3 Effective for annual periods beginning on or after 1 January 2019.

4 Effective date not yet been determined.

5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

The directors of the Company anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

#### HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a “fair value through other comprehensive income” (“FVTOCI”) measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an “expected credit loss” model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have 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, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.
- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014) it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.
- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The directors of the Company do not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets.

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on a simplified approach and record lifetime expected to losses that are estimated based on the present value of all cash short falls over the remaining life of all of its trade and other receivables. During the Track Record Period, all of the Group's financial assets and financial liabilities were carried at amortised cost without significant impairment on the former, the implementation of HKFRS 9 is not expected to result in any significant impact on the Group's financial position and results of operations.

#### **HKFRS 15 Revenue from Contracts with Customers**

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

- (i) Identify the contract with the customer;
- (ii) Identify the performance obligations in the contract;
- (iii) Determine the transaction price;

- (iv) Allocate the transaction price to the performance obligations; and
- (v) Recognise revenue when (or as) the entity satisfies a performance obligation.

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations when it becomes effective.

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted. Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied. Far more prescriptive guidances have been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

Based on the preliminary assessment conducted by the directors of the Company, they do not anticipate that the application of HKFRS 15 will have any material impact on the Group's Historical Financial Information.

#### **HKFRS 16 Leases**

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

HKFRS 16 will supersede the current lease standards including HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 will be effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16.

As at 31 March 2017, the Group has non-cancellable operating lease commitment of approximately HK\$820,000 as disclosed in note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of use asset and a corresponding liability in respect of all these lease unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application

of new requirements may result changes in the measurement, presentation and disclosure as indicated above. The directors of the Company anticipate that the application of HKFRS 16 will not have significant impact on the Group's financial position and results of operations.

#### **Amendment to HKAS 7 Disclosure Initiative**

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not prescribe a specific method to fulfill the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

Amendments to HKAS 7 will become effective for annual periods beginning on or after 1 January 2017 with early application permitted.

The directors of the Company anticipate that the application of Amendments to HKAS 7 will result in additional disclosures on the Group's financing activities, especially reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

#### **4. SIGNIFICANT ACCOUNTING POLICIES**

The Historical Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA on the historical cost basis except for certain financial instruments and investment property that are measured at fair value and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. Historical cost is generally based on the fair value of the consideration given in exchange for services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets and liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

The principal accounting policies are set out below.

#### **Basis of consolidation**

The Historical Financial Information incorporates the financial statements of the Company and entities controlled by the Group (i.e. its subsidiaries). Control is achieved where the Group:

- has power over the investee;
- has exposure, or rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect the amount of its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

#### **Merger accounting for business combination involving entities under common control**

The Historical Financial Information include the financial statements items of the combining entities or businesses in which the common control combination occurs as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the consolidating entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business.

The Group's policy for recognition of revenue from foundation and site formation works is described in the accounting policy headed "Construction contracts" below.

Rental income from operating lease is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

#### **Construction contracts**

Where the outcome of a construction contract can be estimated reliably, revenue from a fixed price contract work is recognised based on the stage of completion of the contracts, provided that the stage of contract completion and the gross billing value of contracting work can be measured reliably. The stage of completion of a contract is established according to the progress certificate (by reference to the amount of completed works confirmed by surveyor) issued by the customers.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statements of financial position, as a liability. Amounts billed for work performed but not yet paid by the customer are included in the consolidated statements of financial position under trade and other receivables.

### ***Leasing***

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### *The Group as lessor*

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

#### *The Group as lessee*

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised in profit or loss on a straight-line basis over the term of the relevant lease.

### **Borrowing costs**

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

### **Retirement benefits cost and termination benefits**

Payments to the Mandatory Provident Fund Scheme (“MPF Scheme”) are recognised as an expense when employees have rendered service entitling them to the contributions.

### **Short-term employee benefits**

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from “profit before taxation” as reported in the consolidated statements of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

#### **Investment property**

Investment property is property held to earn rentals and/or for capital appreciation.

Investment property is initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment property is measured at its fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

#### **Plant and equipment**

Plant and equipment are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

**Cash and cash equivalents**

Bank balances and cash in the consolidated statements of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of bank balances and cash, as defined above.

**Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

**Impairment losses on tangible assets**

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or the CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or the CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or the CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

**Financial instruments**

Financial assets and financial liabilities are recognised in the consolidated statements 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. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

***Financial assets***

The Group's financial assets are classified as financial assets at fair value through profit or loss ("FVTPL") and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment loss (see accounting policy on impairment loss on financial assets below).

*Financial assets at FVTPL*

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

*Impairment loss on financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When trade and other receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### *Financial liabilities and equity instruments*

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

#### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

#### *Other financial liabilities*

Other financial liabilities including trade and other payables, amount due to a director, amount due to a subsidiary, borrowings and obligations under finance leases are subsequently measured at amortised cost, using the effective interest method.

#### *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

#### *Derecognition*

A financial asset is derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

## 5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### **Critical judgement in applying accounting policies**

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

#### *Going concern consideration*

Although the Company had net current liabilities at the end of the reporting period, the Company manages its liquidity risk by monitoring its current and expected liquidity requirements regularly and ensuring sufficient liquid cash to meet the Company's liquidity requirements in the short and long term. The directors of the Company considered that the Company has no significant liquidity risk. Details of which are set out in note 2.

#### *Construction contracts revenue recognition*

As explained in the significant accounting policy, revenue recognition on a project is dependent on management's estimation of the total outcome of the construction contracts, with reference to the progress certificate issued by the customers. The Group reviews and revises the estimates of contract revenue, contract costs and variation orders, prepared for each construction contract as the contract progresses. Budgeted construction costs are prepared by management on the basis of quotations from time to time provided by the major contractors, suppliers or vendors involved and the experience of management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgeted construction costs by comparing the budgeted amounts to the actual costs incurred.

Significant judgement is required in estimating the contract revenue, contract costs and variation work which may have an impact on percentage of completion of the construction contracts and the corresponding profit takes.

Management base their judgements of contract costs and revenues on the latest available information, which includes detailed contract valuations. In many cases the results reflect the expected outcome of long-term contractual obligations which spend more than one reporting period. Contract costs and revenues are affected by a variety of uncertainties are resolved. The estimates of contract costs and revenues are updated regularly and significant changes are highlighted through established internal review procedures. In particular, the internal reviews focus on the timing and recognition of payments and the age and recoverability of any disagreed income from variations to the contract scope or claims. The impact of the changes in accounting estimated is then reflected in the ongoing results.

#### *Key sources of estimation uncertainty*

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *Depreciation of plant and equipment*

The Group depreciates the plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives reflect the estimate of the periods that the Group intends to derive future economic benefits from the use of the directors of the Company of the Group's plant and equipment. As at 31 March 2015, 31 March 2016 and 31 March 2017, the carrying amounts of plant and equipment are approximately HK\$24,815,000, HK\$22,572,000 and HK\$23,914,000 respectively.

*Estimated impairment of plant and equipment*

The Group assesses annually whether plant and equipment have any indication of impairment, in accordance with relevant accounting policies. The recoverable amounts of plant and equipment have been determined based on value-in-use calculations if there is indication of impairment. The calculations and valuations require the use of judgement and estimates on future operating cash flows and discount rates adopted. As at 31 March 2015, 2016 and 2017, the directors of the Company considered that there is no impairment indication and the carrying values of plant and equipment are approximately HK\$24,815,000, HK\$22,572,000 and HK\$23,914,000 respectively.

*Estimated impairment of trade and other receivables*

The Group performs ongoing credit evaluations of its customers and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has been identified. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers. As at 31 March 2015, 2016 and 2017, the carrying amounts of trade and other receivables are approximately HK\$18,168,000, HK\$36,620,000 and HK\$31,213,000 respectively. No impairment loss was recognised for the Track Record Period.

*Fair value of investment property*

Investment property is stated at fair value based on the valuation performed by independent professional valuer. In determining the fair value, the valuer have based on a method of valuation which involves certain estimated of market conditions. In relying on the valuation report, the directors of the Company have exercised their judgement and are satisfied that the assumptions used in valuation have reflected the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment property being recognised in profit or loss. The carrying amounts of investment property measured at fair value at 31 March 2015, 2016 and 2017, are approximately nil, nil and HK\$6,300,000 respectively.

**6. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged for the Track Record Period.

The capital structure of the Group consists of borrowings disclosed in note 24, obligations under finance leases disclosed in note 25, net of bank balances and cash disclosed in note 21, and equity attributable to the owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure periodically. As part of this review, the directors of the Company consider the cost of capital and risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and the issue of new borrowings or the redemption of existing borrowings.

## 7. FINANCIAL INSTRUMENTS

## Categories of financial instruments

*The Group*

	At 31 March		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Financial assets			
Loans and receivables (including bank balances and cash)	<u>31,755</u>	<u>46,542</u>	<u>50,334</u>
Other financial liabilities			
At amortised cost	<u>44,076</u>	<u>35,855</u>	<u>38,533</u>

*The Company*

	At 31 March		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Financial assets			
Loans and receivables (including bank balances and cash)	<u>—</u>	<u>—</u>	<u>—</u>
Other financial liabilities			
At amortised cost	<u>—</u>	<u>—</u>	<u>6,002</u>

**Financial risk management objectives and policies**

The Group's major financial assets and financial liabilities include trade and other receivables, bank balances and cash, trade and other payables, amount due to a director, amount due to a subsidiary, borrowings, and obligations under finance leases. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments included credit risk, interest rate risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Credit risk*

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2015, 2016 and 2017 in relation to each class of recognised financial assets is the carrying amounts of the respective financial assets as stated in the consolidated statements of financial position. In order to minimise the credit risk, the management of the Company has delegated a team responsible for performing monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade and other receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

As at 31 March 2015, 2016 and 2017, the Group has concentration of credit risk as 20%, 73% and 62% of the total trade receivables was due from the Group's largest customer while 74%, 94% and 82% of the total trade receivables was due from the Group's five largest customers respectively. The Group's concentration of credit risk by geographical locations is in Hong Kong, which accounted for 100%, 100% and 100% of the total trade receivables as at 31 March 2015, 2016 and 2017 respectively.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

*Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to its fixed-rate borrowings (see note 24) and fixed-rate obligations under finance leases (see note 25). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider other necessary actions when significant interest rate exposure is anticipated.

The Group is also exposed to cash flow interest rate risk in relation to its variable-rate bank balances (see note 21) and variable-rate borrowings (see note 24). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk.

*Sensitivity analysis*

The sensitivity analysis below has been determined based on the exposure of the Group's variable-rate bank balances and variable-rate borrowings to interest rates at the end of the Track Record Period. The analysis is prepared assuming that the financial instruments outstanding as at 31 March 2015, 2016 and 2017 were outstanding for the whole reporting period. A 50 basis points increase or decrease is used for the Track Record Period when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower for the Track Record Period and all other variables were held constant, the Group's post-tax profit would decrease/increase by approximately HK\$13,000, HK\$9,000 and HK\$19,000 for the years ended 31 March 2015, 2016 and 2017 respectively. This is mainly attributable to the Group's exposure to interest rate on its variable-rate-bank borrowings.

*Liquidity risk*

The Company is exposed to liquidity risk as the Company had net current liabilities of approximately HK\$4,179,000 as at 31 March 2017. The liquidity of the Company primarily depends on the future funding being available and the ability of the Company to meet its financial obligation as then fall due. Details of which are set out in Note 2.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the directors of the Company to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Specifically, borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights within one year after the reporting date. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

<b>Liquidity table</b>	<b>On demand or within 1 year</b>	<b>1–2 years</b>	<b>2–5 years</b>	<b>Total contractual undiscounted cash flow</b>	<b>Carrying amount</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>At 31 March 2015</b>					
Trade and other payables	14,897	—	—	14,897	14,897
Amount due to a director	14,510	—	—	14,510	14,510
Borrowings ( <i>Note</i> )	7,263	—	—	7,263	7,263
Obligations under finance leases	4,341	2,668	935	7,944	7,406
	<u>41,011</u>	<u>2,668</u>	<u>935</u>	<u>44,614</u>	<u>44,076</u>
<b>At 31 March 2016</b>					
Trade and other payables	14,144	—	—	14,144	14,144
Amount due to a director	9,005	—	—	9,005	9,005
Borrowings ( <i>Note</i> )	7,766	—	—	7,766	7,766
Obligations under finance leases	3,372	806	1,134	5,312	4,940
	<u>34,287</u>	<u>806</u>	<u>1,134</u>	<u>36,227</u>	<u>35,855</u>
<b>At 31 March 2017</b>					
Trade and other payables	23,507	—	—	23,507	23,507
Amount due to a director	1,059	—	—	1,059	1,059
Borrowings ( <i>Note</i> )	12,147	—	—	12,147	12,147
Obligations under finance leases	798	557	577	1,932	1,820
	<u>37,511</u>	<u>557</u>	<u>577</u>	<u>38,645</u>	<u>38,533</u>

*Note:*

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of each reporting period.

Borrowings with a repayment on demand clause are included in the 'on demand or within 1 year' time band in the above maturity analysis. As at 31 March 2015, 2016 and 2017, the aggregate undiscounted principal amounts of borrowings with a repayment on demand clause amounted to approximately HK\$7,263,000, HK\$7,766,000 and HK\$12,147,000 respectively. Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The

directors of the Company believe that such borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK\$7,961,000, HK\$8,323,000 and HK\$13,214,000 respectively.

The directors of the Company believe that the principal and interest will be repaid in accordance with the scheduled repayment dates set out in the loan agreements and the principal and interest cash outflows according to the scheduled repayment dates are set out as follows:

Liquidity table	within 1 year <i>HK\$'000</i>	1–2 years <i>HK\$'000</i>	2–5 years <i>HK\$'000</i>	More than 5 years <i>HK\$'000</i>	Total contractual undiscounted cash flow	Carrying amount <i>HK\$'000</i>
					<i>HK\$'000</i>	
<b>Bank borrowings</b>						
At 31 March 2015	<u>2,981</u>	<u>1,317</u>	<u>2,324</u>	<u>1,339</u>	<u>7,961</u>	<u>7,263</u>
At 31 March 2016	<u>2,837</u>	<u>2,421</u>	<u>1,864</u>	<u>1,201</u>	<u>8,323</u>	<u>7,766</u>
At 31 March 2017	<u>5,200</u>	<u>3,560</u>	<u>1,615</u>	<u>2,839</u>	<u>13,214</u>	<u>12,147</u>

#### *Fair value measurement*

The directors of the Company consider that the fair values of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate to their corresponding fair value due to their immediate or short-term maturities.

## 8. TURNOVER AND SEGMENT INFORMATION

Revenue represents the revenue from provision of foundation and site formation works and machinery leasing for the years ended 31 March 2015, 2016 and 2017.

	Year ended 31 March		
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue from:			
Foundation and site formation works	215,086	332,265	360,481
Machinery leasing	<u>23,692</u>	<u>16,756</u>	<u>20,176</u>
	<u>238,778</u>	<u>349,021</u>	<u>380,657</u>

HKFRS 8 “Operating Segments” requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-maker (“CODM”) (the directors of the Company) in order to allocate resources to segments and to assess their performance.

The Group’s operating activity is attributable to a single operating segment focusing on the provision of foundation and site formation works. This operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies which conform to HKFRSs, that is regularly reviewed by the CODM. The CODM monitors the revenue from provision of foundation and site formation works for the purpose of making decisions about resources allocation and performance assessment. The CODM reviews the profit for the year of the Group as a whole for performance assessment. No analysis of segment assets or segment liabilities is presented as they are not regularly provided to the CODM.

#### **Geographical information**

The Group’s revenue from external customers by location of the operations is derived solely in Hong Kong (country of domicile). Non-current assets of the Group by location of the assets are all located in Hong Kong. As a result, geographical information has not been presented.

**Information about major customers**

Revenues from external customers contributing over 10% of the total revenue of the Group of the corresponding reporting periods are as follows:

	Year ended 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Customer A	146,587	258,390	251,974
Customer B	45,396	N/A*	N/A*
Customer C	N/A*	N/A*	43,578
	<u>191,983</u>	<u>258,390</u>	<u>295,552</u>

\* The corresponding revenue did not contribute over 10% of total revenue of the Group for the respective reporting period.

**9. OTHER INCOME**

	Year ended 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Bank interest income	1	—	—
Gain on disposal of held-for-trading investment	118	—	—
Sales of scrap materials	307	447	—
Gain on disposals of plant and equipment	—	—	1,346
Government subsidy ( <i>Note</i> )	159	550	178
Rental income	—	—	132
Sundry income	194	141	48
	<u>779</u>	<u>1,138</u>	<u>1,704</u>

*Note:* Government subsidy was received under the “Ex-gratia Payment Scheme for Phasing Out Pre-Euro IV Diesel Commercial Vehicles”.

**10. FINANCE COSTS**

	Year ended 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Interests on:			
— borrowings	335	394	666
— obligations under finance leases	416	485	181
	<u>751</u>	<u>879</u>	<u>847</u>

## 11. INCOME TAX EXPENSE

	Year ended 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Current year taxation			
Hong Kong Profits Tax	2,199	4,110	5,594
Deferred taxation ( <i>note 26</i> )	<u>584</u>	<u>84</u>	<u>567</u>
	<u>2,783</u>	<u>4,194</u>	<u>6,161</u>

Pursuant to the laws and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands or the BVI during the Track Record Period.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits during the Track Record Period. The charge for the year to Hong Kong Profits Tax has been relieved by approximately nil, HK\$169,000 and HK\$153,000 for the years ended 31 March 2015, 2016 and 2017 respectively as a result of tax losses brought forward from previous years.

Income tax expense for the Track Record Period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Profit before taxation	<u>14,602</u>	<u>25,499</u>	<u>29,544</u>
Tax calculated at the domestic income tax rate	2,409	4,207	4,874
Tax effect of expenses not deductible	234	176	1,500
Tax effect of income not taxable	(1)	—	—
Tax effect of tax losses not recognised	161	—	—
Utilisation of tax losses previously not recognised	—	(169)	(153)
Effect of tax exemption granted ( <i>Note</i> )	<u>(20)</u>	<u>(20)</u>	<u>(60)</u>
Income tax expense for the year	<u>2,783</u>	<u>4,194</u>	<u>6,161</u>

*Note:* Tax exemption represented a reduction of Hong Kong Profits Tax for the years of assessment 2014/2015, 2015/2016 and 2016/2017 by 75%, subject to a ceiling of HK\$20,000, HK\$20,000 and HK\$20,000 respectively.

Details of deferred taxation are set out in note 26.

## 12. PROFIT FOR THE YEAR

	Year ended 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Profit for the year has been arrived at after charging:			
Staff costs (excluding directors' and chief executive ("CE")'s emoluments ( <i>note 13</i> ))			
— Salaries, wages, allowances and other benefits	42,935	58,190	59,717
— Contributions to retirement benefits scheme	1,561	1,865	2,042
Total staff costs	44,496	60,055	61,759
Auditor's remuneration	33	41	228
Loss on disposal of plant and equipment	123	110	—
Depreciation of plant and equipment	6,375	8,189	8,814
Loss on revaluation on investment property	—	—	90
Minimum lease payments paid under operating lease in respect of office premises	446	526	692
Listing expenses	—	—	4,269

## 13. DIRECTOR AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to the director and the CE of the Company were as follows:

## For the year ended 31 March 2015

Name of director	Fees	Salaries, allowances and other benefits	Contributions to retirement benefits scheme	Total
Executive director				
Mr. Li	—	600	17	617

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

Executive director				
Mr. Li	—	600	17	617

## For the year ended 31 March 2016

Name of director	Fees	Salaries, allowances and other benefits	Contributions to retirement benefits scheme	Total
Executive director				
Mr. Li	—	600	17	617

Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

Executive director				
Mr. Li	—	600	17	617

For the year ended 31 March 2017

Name of director	Fees <i>HK\$'000</i>	Salaries, allowances and other benefits <i>HK\$'000</i>	Contributions to retirement benefits scheme <i>HK\$'000</i>	Total <i>HK\$'000</i>
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Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking:

Executive director				
Mr. Li	—	700	18	718

Mr. Li is also the CE of the Company and his emoluments disclosed above include those for services rendered by him as the CE.

No director or CE waived or agreed to waive any emoluments during the Track Record Period.

No emoluments were paid by the Group to the director or the CE of the Company as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period.

Mr. Li Wai Fong, Mr. Li Kun Yee and Mr. Liauw Hung, the employees of Lik Shing Engineering during the Track Record Period, were appointed as the Company's executive directors on 25 May 2017. During the Track Record Period, the executive directors have not yet been appointed.

Mr. Wong Chik Kong, Mr. Chan Chung Kik, Lewis and Mr. Lee Kwok Lun were appointed as the Company's independent non-executive directors on 21 September 2017. During the Track Record Period, the independent non-executive directors have not yet been appointed and did not receive any remuneration.

#### 14. INDIVIDUAL WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one, one and one of them was the director, including CE, of the Company during the Track Record Period, whose emoluments are included in the disclosures in note 13 above. The emoluments of the remaining four, four and four individuals of the Group during the Track Record Period were as follows:

	Year ended 31 March		
	2015 <i>HK\$'000</i>	2016 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Salaries, allowances and other benefits	2,423	3,137	2,067
Contributions to retirement benefits scheme	48	62	63
	<u>2,471</u>	<u>3,199</u>	<u>2,130</u>

The emolument of each of the above employees was below HK\$1,000,000.

No emoluments were paid by the Group to any of the five highest paid individuals of the Group, including the director and CE of the company, as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period.

#### 15. DIVIDENDS

No dividend was paid or proposed by the Company or any entities of the Group during the Track Record Period, nor has any dividend been proposed since the end of the reporting period.

**16. EARNINGS PER SHARE**

The calculation of the basic earnings per share during the Track Record Period is based on the profit attributable to the owners of the Company and the weighted average number of ordinary shares in issue.

	Year ended 31 March		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Earnings:			
— Profit for the year attributable to the owners of the Company	<u>11,819</u>	<u>21,305</u>	<u>23,383</u>
Number of shares			
— Weighted average number of ordinary shares for the purpose of basic earnings per share ( <i>Note</i> )	<u>675,000,000</u>	<u>675,000,000</u>	<u>675,000,000</u>

*Note:* The weighted average number of ordinary shares for the purpose of basic earnings per share during the Track Record Period has assumed 675,000,000 ordinary shares of the Company were in issue during the Track Record Period after taking into account the capitalisation issue as detailed in the section headed “Share Capital” in the Prospectus.

**Diluted earnings per share**

Diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares outstanding during the Track Record Period.

## 17. PLANT AND EQUIPMENT

	Machinery and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Leasehold improvement <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST					
At 1 April 2014	27,776	1,657	—	—	29,433
Additions	8,839	2,742	—	—	11,581
Disposals	(1,473)	(101)	—	—	(1,574)
At 31 March 2015 and 1 April 2015	35,142	4,298	—	—	39,440
Additions	4,388	2,105	—	—	6,493
Disposals	(951)	(495)	—	—	(1,446)
At 31 March 2016 and 1 April 2016	38,579	5,908	—	—	44,487
Additions	10,874	833	169	29	11,905
Disposals	(5,143)	(494)	—	—	(5,637)
At 31 March 2017	<u>44,310</u>	<u>6,247</u>	<u>169</u>	<u>29</u>	<u>50,755</u>
ACCUMULATED DEPRECIATION					
At 1 April 2014	8,360	475	—	—	8,835
Charge for the year	5,882	493	—	—	6,375
Eliminated on disposals	(563)	(22)	—	—	(585)
At 31 March 2015 and 1 April 2015	13,679	946	—	—	14,625
Charge for the year	7,071	1,118	—	—	8,189
Eliminated on disposals	(685)	(214)	—	—	(899)
At 31 March 2016 and 1 April 2016	20,065	1,850	—	—	21,915
Charge for the year	7,580	1,212	21	1	8,814
Eliminated on disposals	(3,667)	(221)	—	—	(3,888)
At 31 March 2017	<u>23,978</u>	<u>2,841</u>	<u>21</u>	<u>1</u>	<u>26,841</u>
CARRYING VALUES					
At 31 March 2015	<u>21,463</u>	<u>3,352</u>	<u>—</u>	<u>—</u>	<u>24,815</u>
At 31 March 2016	<u>18,514</u>	<u>4,058</u>	<u>—</u>	<u>—</u>	<u>22,572</u>
At 31 March 2017	<u>20,332</u>	<u>3,406</u>	<u>148</u>	<u>28</u>	<u>23,914</u>

The above items of plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Machinery and equipment	20% per annum
Motor vehicles	20% per annum
Leasehold improvement	Over the shorter of lease term or 2 years
Computer equipment	20% per annum

The carrying values of plant and equipment held under finance leases were as follows:

	At 31 March		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Machinery and equipment	7,733	5,529	407
Motor vehicles	<u>2,218</u>	<u>2,642</u>	<u>1,974</u>
	<u>9,951</u>	<u>8,171</u>	<u>2,381</u>

## 18. INVESTMENT PROPERTY

	HK\$'000
<b>FAIR VALUE</b>	
At 31 March 2014, 31 March 2015, 31 March 2016 and 1 April 2016	—
Additions	6,390
Decrease in fair value of investment property recognised in profit or loss	<u>(90)</u>
As at 31 March 2017	<u>6,300</u>

The Group's property interest held under operating lease to earn rentals or for capital appreciation purposes are measured using the fair value model and is classified and accounted for as investment property.

The fair value of the Group's investment property as at 31 March 2017 have been arrived at on the basis of a valuation carried out on 31 March 2017 by Ascent Partners Valuation Service Limited, independent qualified professional valuers not connected with the Group. Ascent Partners Valuation Service Limited is a member of the Institute of Valuers. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions. Details of valuation techniques and assumptions are discussed below. In estimating the fair value of the property, the highest and best use of the property is its current use.

The Group's investment property is held under operating lease to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment property.

The Group's investment property has been pledged to secure banking facilities granted to the Group.

An analysis of the Group's investment property that are measured subsequent to initial recognition at fair value to which the inputs to fair value measurement is observable as follows:

	Fair value hierarchy	Fair value as at 31 March 2017	Valuation technique and key inputs
Investment Property	Level 2	HK\$6,300,000	Market Comparison Approach
			— by reference to recent selling price of comparable properties on a price per square feet basis using market data which is publicly available and adjust to reflect the conditions and locations of the property

## 19. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	At 31 March		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
<b>Contracts in progress at the end of each reporting period:</b>			
Contract costs incurred plus recognised profits less recognised losses	212,278	338,272	393,344
Less: progress billings	<u>(194,643)</u>	<u>(322,338)</u>	<u>(361,308)</u>
	<u>17,635</u>	<u>15,934</u>	<u>32,036</u>

Analysed for reporting purposes as:

Amounts due from customers for contract work	22,590	23,795	35,452
Amounts due to customers for contract work	<u>(4,955)</u>	<u>(7,861)</u>	<u>(3,416)</u>
	<u>17,635</u>	<u>15,934</u>	<u>32,036</u>

## 20. TRADE AND OTHER RECEIVABLES

**The Group**

	At 31 March		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Trade receivables	10,132	23,662	12,505
Retention receivables ( <i>Note</i> )	7,820	12,272	16,202
Prepaid listing expenses	—	—	1,239
Prepayments, deposits and other receivables	<u>216</u>	<u>686</u>	<u>1,267</u>
	<u>18,168</u>	<u>36,620</u>	<u>31,213</u>

**The Company**

	At 31 March		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Prepaid listing expenses	—	—	1,239
Prepayments, deposits and other receivables	<u>—</u>	<u>—</u>	<u>584</u>
	<u>—</u>	<u>—</u>	<u>1,823</u>

*Note:* Except for the amounts of approximately HK\$4,365,000, HK\$4,321,000 and HK\$2,005,000 as at 31 March 2015, 2016 and 2017 respectively, which were expected to be recovered or settled after one year, all of the remaining balances are expected to be recovered within one year. All retention receivables are included under current assets as the Group expects to realise these within its normal operating cycle.

The Group does not hold any collateral over these balances.

The Group allows an average credit period of 15 to 60 days to its trade customers. The following is an aged analysis of trade receivables, presented based on the certified date which approximates the respective revenue recognition dates and invoice dates at the end of each reporting period:

	At 31 March		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
0 to 30 days	3,648	8,460	11,359
31 to 60 days	6,417	12,677	—
61 to 180 days	67	2,181	812
181 to 365 days	—	344	334
	<u>10,132</u>	<u>23,662</u>	<u>12,505</u>

Trade receivables that were neither past due nor impaired related to customers that have no recent history of default payment.

As at 31 March 2015, 2016 and 2017, included in the Group's trade receivable balances were debtors with aggregate carrying amount of approximately HK\$6,484,000, HK\$12,971,000 and HK\$1,146,000 respectively which were past due at the end of each reporting period for which the Group has not provided for impairment loss.

The aged analysis of trade receivables which were past due but not impaired is set out below:

	At 31 March		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Past due:			
1 to 30 days	6,417	10,253	—
31 to 60 days	67	382	—
61 to 180 days	—	1,992	812
181 to 365 days	—	344	334
	<u>6,484</u>	<u>12,971</u>	<u>1,146</u>

The directors of the Company consider that there has not been a significant change in credit quality of the relevant customers and there is no recent history of default, therefore the amounts are considered to be recoverable.

## 21. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates of approximately 0.001% per annum during the Track Record Period.

## 22. TRADE AND OTHER PAYABLES

### The Group

	At 31 March		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Trade payables	11,039	9,274	13,595
Retention payables	—	—	1,931
Accrued expenses and other payables	<u>3,858</u>	<u>4,870</u>	<u>7,981</u>
	<u>14,897</u>	<u>14,144</u>	<u>23,507</u>

**The Company**

	At 31 March		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Accrued expenses and other payables	—	—	801

Trade payables represented payables to suppliers and subcontractors. The credit terms granted by subcontractors were stipulated in the relevant contracts and the payables were usually due for settlement within 30–45 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

The following is the aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	At 31 March		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
0 to 30 days	10,617	5,753	10,443
31 to 60 days	405	2,123	421
61 to 90 days	7	713	2,731
91 to 365 days	10	685	—
	<u>11,039</u>	<u>9,274</u>	<u>13,595</u>

**23. AMOUNTS DUE TO A DIRECTOR/ A SUBSIDIARY**

As at 31 March 2015, 2016 and 2017, the amount due to a director was unsecured, interest-free and repayable on demand. The amount will be settled before or upon listing of the Company.

As at 31 March 2017, the amount due to a subsidiary was unsecured, interest-free and repayable on demand.

**24. BORROWINGS**

	At 31 March		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Bank borrowings	7,263	7,766	12,147
Secured	4,853	5,082	6,661
Unsecured	2,410	2,684	5,486
	<u>7,263</u>	<u>7,766</u>	<u>12,147</u>

Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):

	At 31 March		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Within one year	2,740	2,572	4,819
More than one year but not exceeding two years	1,185	2,268	3,372
More than two years but not exceeding five years	2,245	1,833	1,395
More than five years	<u>1,093</u>	<u>1,093</u>	<u>2,561</u>
	<u>7,263</u>	<u>7,766</u>	<u>12,147</u>
Carrying amount of bank loans that are not repayable within one year from the year end but contain a repayment on demand clause	4,523	5,194	7,328
Carrying amount of bank loans that are repayable within one year from the year end and contain a repayment on demand clause	<u>2,740</u>	<u>2,572</u>	<u>4,819</u>
	7,263	7,766	12,147
Amounts shown under current liabilities	<u>(7,263)</u>	<u>(7,766)</u>	<u>(12,147)</u>
Amounts shown under non-current liabilities	<u>—</u>	<u>—</u>	<u>—</u>

- (a) During the Track Record Period, borrowings approximately of HK\$3,200,000, HK\$2,153,000 and HK\$4,347,000 as at 31 March 2015, 2016 and 2017 respectively carried at floating interest rates ranging from 2.0% to 2.8% below HKD Prime lending rate ("Prime rate") to 0.5% to 1.5% plus Prime rate per annum. The effective interest rate of floating rate borrowings during the years ended 31 March 2015, 2016 and 2017 were 4.9%, 4.9% and 2.6% per annum respectively.
- (b) During the Track Record Period, borrowings approximately of HK\$4,063,000, HK\$5,613,000 and HK\$7,800,000 carried at fixed interest rates ranging from 4% to 9.9% per annum. The effective interest rate of fixed rate borrowings during the years ended 31 March 2015, 2016 and 2017 were 7.5%, 5.7% and 4.8% per annum respectively.
- (c) During the year ended 31 March 2017, the Group obtained new loans in the amount of HK\$12,108,000. The loans carried at fixed interest rates ranging from 3% to 5.3% per annum and approximately HK\$6,108,000 and HK\$6,000,000 will be repayable in 2017 and 2019 respectively. The proceeds were mainly used to finance the acquisition of plant and equipment.
- (d) The amounts of banking facilities and the utilisation at the end of each reporting period are set out as follows:

	At 31 March		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Facility amount	<u>7,263</u>	<u>14,766</u>	<u>12,147</u>
Utilisations			
— Secured borrowings	4,853	5,082	6,661
— Unsecured borrowings	<u>2,410</u>	<u>2,684</u>	<u>5,486</u>
	<u>7,263</u>	<u>7,766</u>	<u>12,147</u>
Unutilised amounts	<u>—</u>	<u>7,000</u>	<u>—</u>

As at 31 March 2015, 31 March 2016 and 31 March 2017, the banking facilities of the Group were secured by:

- (i) a guarantee limited to HK\$2,000,000, HK\$2,000,000 and nil provided by Hong Kong Mortgage Corporation Limited under the SME financing Guarantee Scheme as at 31 March 2015, 2016 and 2017 respectively.
- (ii) The mortgage charge over the investment property of the Group as at 31 March 2017.
- (iii) certain properties owned by Mr. Li and his spouse, Ms. Chau Man Chun and a related company that is controlled by, Ms. Chau Man Chun; and
- (iv) unlimited personal guarantees provided by Mr. Li and his spouse, Ms. Chau Man Chun.

The said guarantees given by the director and his spouse are to be released or replaced by guarantees of the Company upon listing of the Company.

## 25. OBLIGATIONS UNDER FINANCE LEASES

	At 31 March		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Analysed for reporting purposes as:			
Current liabilities	3,963	3,120	735
Non-current liabilities	<u>3,443</u>	<u>1,820</u>	<u>1,085</u>
	<u>7,406</u>	<u>4,940</u>	<u>1,820</u>

It is the Group's policy to lease certain of its machinery and motor vehicles under finance leases. The average lease term ranged from 2 to 5 years for the Track Record Period. The obligations under finance leases carried interest at a fixed rate from 3.8% to 8.7% per annum, during the Track Record Period.

	Minimum lease payments at 31 March			Present value of minimum lease payments at 31 March		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Amounts payable under finance leases						
Within one year	4,341	3,372	798	3,963	3,120	735
More than one year but less than two years	2,668	806	557	2,546	735	521
More than two years but less than five years	<u>935</u>	<u>1,134</u>	<u>577</u>	<u>897</u>	<u>1,085</u>	<u>564</u>
	7,944	5,312	1,932	7,406	4,940	1,820
Less: future finance charges	<u>538</u>	<u>372</u>	<u>(112)</u>	N/A	N/A	N/A
Present value of obligations under finance leases	<u>7,406</u>	<u>4,940</u>	<u>1,820</u>			
Less: amount due for settlement with 12 months (shown under current liabilities)				<u>(3,963)</u>	<u>(3,120)</u>	<u>(735)</u>
Amount due for settlement after 12 months				<u>3,443</u>	<u>1,820</u>	<u>1,085</u>

The Group's obligations under finance leases are secured by the lessors' charge over the leased assets (see note 17) and personal guarantees given by Mr. Li and his spouse, Mrs. Li, as at 31 March 2015, 2016 and 2017. The guarantees given by the director and his spouse are to be released or replaced by guarantees of the Company upon Listing of the Company.

## 26. DEFERRED TAXATION

The following is the analysis of the deferred tax assets (liabilities), after set off certain deferred tax assets against deferred liabilities of the same taxable entity, for the financial reporting purposes:

	At 31 March		
	2015 HK\$'000	2016 HK\$'000	2017 HK\$'000
Deferred tax assets	11	—	—
Deferred tax liabilities	(919)	(992)	(1,559)
	<u>(908)</u>	<u>(992)</u>	<u>(1,559)</u>

Deferred tax liabilities arising from accelerated tax depreciation recognised by the Group and movements thereon during the Track Record Period were as follows:

	Accelerated tax depreciation HK\$'000
At 1 April 2014	(324)
Charged to profit or loss (note 11)	<u>(584)</u>
At 31 March 2015 and 1 April 2015	(908)
Charged to profit or loss (note 11)	<u>(84)</u>
At 31 March 2016 and 1 April 2016	(992)
Charged to profit or loss (note 11)	<u>(567)</u>
At 31 March 2017	<u>(1,559)</u>

At 31 March 2015, 31 March 2016 and 31 March 2017, the Group has unused tax losses of approximately HK\$1,953,000, HK\$927,000 and nil available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. The losses may be carried forward indefinitely.

**27. SHARE CAPITAL**

The share capital as at 31 March 2015 and 31 March 2016 represented the aggregate share capital of Lik Shing Engineering, Lik Shing Construction and Lik Shing Construction Engineering. The share capital as at 31 March 2017 represented the share capital of the Company.

The Company

	Number of shares	Share capital HK\$'000
Ordinary share of HK\$0.01 each		
Authorised:		
On 13 March 2017 (date of incorporation) and 31 March 2017	<u>38,000,000</u>	<u>380</u>
Issued and fully paid		
On 13 March 2017 (date of incorporation) ( <i>Note a</i> )	1	—
Issue in consideration for the acquisition of the issued share capital of Infinite Merit ( <i>Note b</i> )	<u>999</u>	<u>—</u>
	<u>1,000</u>	<u>—</u>

*Notes:*

- (a) On 13 March 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. At the date of incorporation, one nil-paid ordinary share of HK\$0.01 was allotted and issued.
- (b) On 31 March 2017, the Company acquired the entire issued share capital of Infinite Merit by allotting and issuing 999 ordinary shares of HK\$0.01 each as consideration to Colourfield Global. All shares issued during the Track Record Period rank pari passu with all the existing shares in all respects.

**28. RETIREMENT BENEFITS PLANS**

The Group operates a MPF Scheme for all qualifying employees in Hong Kong. The assets of the MPF are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees and subject to a cap of HK\$1,250 per month prior to June 2015, and HK\$1,500 per month thereafter per employee.

During the Track Record Period, the total expense recognised in the consolidated statements of profit or loss and other comprehensive income is approximately HK\$1,578,000, HK\$1,882,000 and HK\$2,060,000 respectively, which represent contributions payable to the MPF Scheme by the Group at rates specified in the rules of the MPF Scheme.

**29. OPERATING LEASE COMMITMENTS****The Group as lessee**

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>At 31 March</b>		
	<b>2015</b> <i>HK\$'000</i>	<b>2016</b> <i>HK\$'000</i>	<b>2017</b> <i>HK\$'000</i>
Within one year	97	246	820
In the second to fifth year inclusive	—	624	—
Over five years	—	624	—
	<u>97</u>	<u>1,494</u>	<u>820</u>

Operating lease payments represents rentals payable by the Group for its office premises and warehouse. Leases are negotiated and rentals are fixed for a term ranging from 1 to 10 years.

**The Group as lessor**

Property rental income earned during the years ended 31 March 2015, 2016 and 2017 were nil, nil and HK\$132,000 respectively. The investment property is expected to generate rental yields of 3.8% on an ongoing basis. The investment property held has committed tenant for the next 7 months.

At the end of each reporting period, the Group had contracted with tenant for the following future minimum lease payments:

	<b>At 31 March</b>		
	<b>2015</b> <i>HK\$'000</i>	<b>2016</b> <i>HK\$'000</i>	<b>2017</b> <i>HK\$'000</i>
Within one year	<u>—</u>	<u>—</u>	<u>121</u>

**30. COMMITMENTS**

	<b>At 31 March</b>		
	<b>2015</b> <i>HK\$'000</i>	<b>2016</b> <i>HK\$'000</i>	<b>2017</b> <i>HK\$'000</i>
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the Historical Financial Information	<u>—</u>	<u>—</u>	<u>1,126</u>

**31. RELATED PARTY TRANSACTIONS**

- (a) Save as disclosed elsewhere in the Historical Financial Information, during the Track Record Period, the Group entered into transactions with the related parties as follows:

Related party	Notes	Nature of transactions	Year ended 31 March		
			2015	2016	2017
			HK\$'000	HK\$'000	HK\$'000
Mr. Li		Rental expenses	84	7	—
Easy High Investment Limited	(i)	Rental expenses	—	156	130
Ever Team Construction Engineering Limited (“Ever Team Construction”)	(ii)	Subcontracting charges	<u>6,398</u>	<u>2,647</u>	<u>—</u>

Notes:

- (i) Mr. Li's spouse, Ms. Chau Man Chun, is the beneficial shareholder and the director of Easy High Investment Limited.
- (ii) Ever Team Construction was owned as to 50% by Mr. Li Wai Fong, a director of the Company, up to 31 July 2015. From 1 August 2015 to 10 January 2016, Ever Team Construction was owned as to 25%, 25% and 25% by Mr. Li, Mr. Li Kun Yee, son of Mr. Li and Mr. Li Wai Fong, respectively. From 11 January 2016, Ever Team Construction was owned as to 50% and 50% by Mr. Li and Mr. Li Kun Yee. Mr. Li and Mr. Li Kun Yee's entire interest in Ever Team Construction were disposed on 9 August 2016.

The above transactions were conducted at terms determined on a basis mutually agreed between the Group and the related parties.

**(b) Compensation of key management personnel**

The remuneration of key management personnel of the Group during the Track Record Period were as follows:

	Year ended 31 March		
	2015	2016	2017
	HK\$'000	HK\$'000	HK\$'000
Short-term benefits	1,825	1,743	1,466
Post-employment benefits	<u>53</u>	<u>56</u>	<u>42</u>
	<u>1,878</u>	<u>1,799</u>	<u>1,508</u>

The remuneration of key management personnel of the Group is determined by the directors of the Company having regard to the performance of individuals and market trends.

**32. MAJOR NON-CASH TRANSACTIONS**

- (a) During the years ended 31 March 2015, 2016 and 2017, the Group entered into finance lease arrangements in respect of machinery and motor vehicles with a total capital value at the inception of the leases of approximately HK\$8,448,000, HK\$2,580,000 and nil respectively.
- (b) During the year ended 31 March 2017, the Group financed the acquisition of an investment property with a mortgage loan of approximately HK\$2,400,000.

**33. CONTINGENT LIABILITIES**

- (a) As at 31 March 2017, the Group had provided guarantees of approximately HK\$5,000,000 in respect of performance bonds in favour of its clients.

In the opinion of the directors of the Company, it was not probable that a claim would be made against the Group under the guarantee; therefore, no provision for such guarantee was made in the Historical Financial Information as at 31 March 2017.

- (b) At 31 March 2015, 2016 and 2017, the Group has been involved in a number of litigations and potential claims against the Group in relation to work-related injuries and criminal litigation, details of which are disclosed in the section headed "Business — Litigations and potential claims" in the Prospectus.

In the opinion of the directors of the Company, the litigations and potential claims are not expected to have a material impact on the Historical Financial Information. Accordingly, no provision has been made to the Historical Financial Information.

**B. EVENTS AFTER THE REPORTING PERIOD**

The following significant events took place subsequent to 31 March 2017:

On 2 June 2017, the Group had provided guarantees of approximately HK\$3,000,000 in respect of performance bonds in favour of its clients.

**C. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Group, the Company or any of the companies now comprising the Group have been prepared in respect of any period subsequent to 31 March 2017.

<b>APPENDIX II</b>	<b>UNAUDITED PRO FORMA FINANCIAL INFORMATION</b>
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*The information set out in this Appendix does not form part of the Accountants' Report from the reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only.*

*The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" of this prospectus and the Accountants' Report set out in Appendix I to this prospectus.*

**A. THE STATEMENT OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following statement of unaudited pro forma statement of adjusted consolidated net tangible assets of the Group (the "Unaudited Pro Forma Financial Information") prepared in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited is for illustrative purpose only, and is set out below to illustrate the effect of the proposed listing of the Company on The Stock Exchange of Hong Kong Limited (the "Proposed Listing") on the Group's consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2017 as if the Proposed Listing had taken place on 31 March 2017.

The Unaudited Pro Forma Financial Information has been prepared based on the judgments, estimates and assumptions of the Directors, and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2017 or any further dates following the Proposed Listing.

	<b>Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2017 HK\$'000 (Note 1)</b>	<b>Estimated net proceeds from the Proposed Listing HK\$'000 (Note 2)</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2017 HK\$'000</b>	<b>Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share as at 31 March 2017 HK\$ (Note 3)</b>
Based on the Offer Price of HK\$0.38 per share	70,599	65,263	135,862	0.15
Based on the Offer Price of HK\$0.52 per share	70,599	95,818	166,417	0.18

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

*Notes:*

1. The audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 31 March 2017 are extracted based on the consolidated net tangible assets of the Group attributable to the owners of the Company amounted to approximately HK\$70,599,000 extracted from the Accountants' Report as at 31 March 2017 as set out in Appendix I to this Prospectus.
2. The estimated net proceeds from the Proposed Listing of 225,000,000 offer shares are based on the respective Offer Price of HK\$0.38 (being the low-end of the proposed offer price range) and HK\$0.52 (being the high-end of the proposed offer price range) per share, after deduction of the estimated underwriting fees and other related expenses incurred and payable by the Company in relation to the Proposed Listing. The calculation of the estimated net proceeds from the Proposed Listing does not take into account any shares which may be allotted and issued upon the exercise of the Adjustment Options and any options granted under the Share Option Scheme referred to in the section headed "Statutory and General Information — D. Share Option Scheme" in Appendix V to this prospectus of the Company dated 30 September 2017.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company per share is calculated based on 900,000,000 shares in issue immediately following the completion of the Proposed Listing and the capitalisation issue on 31 March 2017 but does not take into account of any shares which may be allotted and issued upon the exercise of the Adjustment Options and any options that granted under the Share Option Scheme referred to in the section headed "Statutory and General Information — D. Share Option Scheme" in Appendix V to this prospectus of the Company date 30 September 2017.
4. No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company to reflect any trading results or other transactions of the Group entered into subsequent to 31 March 2017.

**B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from the reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus*



SHINEWING (HK) CPA Limited  
43/F., Lee Garden One  
33 Hysan Avenue  
Causeway Bay, Hong Kong

30 September 2017

The Directors  
Wing Chi Holdings Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Wing Chi Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 31 March 2017 and related notes as set out in Appendix II to the prospectus (the “Prospectus”) in connection the proposed listing (the “Proposed Listing”) of shares of the Company on The Stock Exchange of Hong Kong Limited. The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described in Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the Proposed Listing on the Group’s net tangible assets as of 31 March 2017 as if the Proposed Listing had been taken place at 31 March 2017. As part of this process, information about the Group’s financial position has been extracted by the directors of the Company from the Group’s historical financial information for the year ended 31 March 2017, on which an accountants’ report has been included in the Appendix I to the Prospectus.

**Directors’ Responsibility for the Unaudited Pro Forma Financial Information**

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“AG7”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirement 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.

The 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” 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 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of the Proposed Listing on unadjusted financial information of the Group as if the Proposed Listing had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Listing at 31 March 2017 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and

<b>APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION</b>
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- 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 29(1) of Chapter 4 of the Listing Rules.

**SHINEWING (HK) CPA Limited**

*Certified Public Accountants*

**Chan Wing Kit**

Practising Certificate Number P03224

Hong Kong

30 September 2017

*The following is the text of a letter and a valuation certificate prepared for the purpose of incorporation in this prospectus received from Ascent Partners Valuation Service Limited, an independent valuer, in connection with its valuation of the property interests of the Group.*



Suite 2102, Hong Kong Trade Centre  
161–167 Des Voeux Road Central  
Hong Kong  
Tel: 3679-3890  
Fax: 3579-0884

Date: 30 September 2017

The Board of Directors  
Wing Chi Holdings Limited  
Room 3404A, 34/F  
Cable TV Tower  
9 Hoi Shing Road  
Tsuen Wan, New Territories

Dear Sir/Madam,

#### **INSTRUCTIONS**

In accordance with the instructions for us to value the property in which Wing Chi Holdings Limited (the “**Company**”) and its subsidiaries (hereinafter together referred to as the “**Group**”) have interests in Hong Kong, we confirm that we have carried out property inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the property interests as at 31 July 2017 (referred to as the “**Valuation Date**”) for the purpose of incorporation in the prospectus of the Company dated 30 September 2017.

This letter which forms part of our valuation report explains the basis and methodology of valuation, clarifying assumptions, valuation considerations, title investigation and limiting conditions of this valuation.

#### **BASIS OF VALUATION**

Our valuation of the property interests represents the market value which is defined by The Hong Kong Institute of Surveyors (“**HKIS**”) Valuation Standards to mean “the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

In valuing the property interests, we have complied with all the requirements contained in Chapter 5 of the Rules Governing the Listing of Securities on the Main Board issued by The Stock Exchange of Hong Kong Limited and the HKIS Valuation Standards (2012 Edition) published by The Hong Kong Institute of Surveyors.

### **VALUATION METHODOLOGY**

We have valued the property interest which is held for investment by the Group in Hong Kong on market basis and the direct comparison method is adopted where comparison based on comparable sales evidence as available in the relevant market. Comparable properties of similar size, character, and location are analysed and carefully weighted against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of values.

### **TITLE INVESTIGATION**

We have carried out searches to be made at the Land Registry for the property located in Hong Kong. We have been, in some instances, provided with the extracts of the documents relating to the property. However, we have not verified ownership of the property to verify the existence of any amendments which do not appear on the copies handed to us. All documents have been used for reference only.

### **VALUATION ASSUMPTIONS**

Our valuations have been made on the assumption that the seller sells the property interests on the open market in their existing states without the benefit of a deferred term contracts, leasebacks, joint ventures, management agreements or any similar arrangements, which could serve to affect the values of the property interests.

No allowance has been made in our valuation for any charges, mortgages or amount owing on any property interests nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, we have assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their value.

Unless stated as otherwise, we have assumed that the Property has been constructed, occupied and used in full compliance with, and without contravention of all laws, except only where otherwise stated. We have further assumed that, for any use of the Property upon which this report is based, all required licenses, permit, certificate and authorizations have been obtained.

Other special assumptions of the property interests, if any, have been stated out in the footnotes of the valuation certificate attached herewith.

### **VALUATION CONSIDERATIONS**

We have relied to a considerable extent on information provided by the Group and have accepted advice given to us on such matters, in particular, but not limited to, the sales records, tenure, planning approvals, statutory notices, easements, particulars of occupancy, site and floor areas and all other relevant matters in the identification of the property interests.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also been advised by the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to reach an informed view, and we have no reason to suspect that any material information has been withheld.

We have inspected the exterior, and wherever possible, the interior of the property but no structural survey had been made. In the course of our inspection, we did not note any serious defects. We are not, however, able to report that the property is free from rot, infestation or any other structural defects. Further, no test has been carried out on any of the building services. All dimensions, measurements and areas are only approximates. We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the property and we have assumed that the areas shown on the copies of documents handed to us are correct.

We have not carried out any soil investigations to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary expenses or delays will be incurred during the construction period. We do not make any allowance for contamination or pollution of the land, if any, which may have been caused by past usage.

#### REMARKS

Unless otherwise stated, all monetary amounts stated in this report are in Hong Kong Dollars (HKD).

Our valuation certificate in respect of the property interests is herewith attached.

Yours faithfully,  
For and on behalf of  
**Ascent Partners Valuation Service Limited**  
**Stephen Y. W. Yeung**  
MFin BSc (Hons) Land Adm. MHKIS MCIREA RPS (GP)  
*Principal*

*Mr. Stephen Y. W. Yeung is a Registered Professional Surveyor (General Practice Division) and a Professional Member of The Hong Kong Institute of Surveyors with over 10 years' experience in valuation of properties in HKSAR and mainland China. Mr. Yeung is also a valuer on the List of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers published by HKIS.*

## Valuation Certificate

## Property interests held for investment by the Group in Hong Kong

Property	Description and tenure	Particular of occupancy	Market value in existing state as at 31 July 2017
Unit No. 12 (including the share interest of the Lavatory, Lift Lobby and Corridor*) on 10th Floor, One Midtown, No. 11 Hoi Shing Road, Tsuen Wan New Territories	The property comprises a workshop unit and the share interest of the Lavatory, Lift Lobby and Corridor on the 10th Floor of a 40-storey industrial building (with 4th, 14th, 24th, 34th and 44th floors omitted) completed in 2012.	As at the Valuation Date, the property was leased for industrial purpose as stated in Note 4.	HK6,530,000 (Hong Kong Dollars Six Million Five Hundred Thirty Thousand)
70/51,287th of 90,525/177,500th shares of and in Tsuen Wan Town Lot No. 218 and Tsuen Wan Inland Lot No. 36	The saleable area of the workshop unit is about 830 sq.ft.  Tsuen Wan Town Lot No. 218 is held under New Grant No. TW5008 for a term of 99 years from 1 July 1898 and statutorily extended to 30 June 2047.		
*70/1,176th of 221/51,287th of 90,525/177,500th shares of and in Tsuen Wan Town Lot No. 218 and Tsuen Wan Inland Lot No. 36	Tsuen Wan Inland Lot No. 36 is held under Conditions of Sale No. UB5156 for a term of 75 years renewable for 24 years and statutorily extended to 30 June 2047.  The Government rent payable for the lots is at 3% of the rateable value per annum.		

## Notes:

1. The registered owner of the property is Lik Shing Construction Company Limited vide Memorial No. 16071900570089 dated 20 June 2016.
2. Pursuant to the Sub-Sub-Deed of Mutual Covenant vide Memorial No. 12111202590158 dated 22 October 2012, the owner of the property possesses the sole and exclusive right and privilege to hold, use, occupy and enjoy in common with the owners of other units on 10th Floor of One Midtown all those the Lavatory and Lift Lobby and Corridor on 10th Floor of One Midtown.
3. The property is subject to the following encumbrances:
  - (i) A Deed of Mutual Covenant vide Memorial No. UB6936717 dated 13 July 1992 (Previously registered by Memorial No. UB5383442 dated 13 July 1992);
  - (ii) A Deed of Mutual Covenant vide Memorial No. TW1114057 dated 13 July 1992 (Previously registered by Memorial No. TW849489 dated 13 July 1992);

- (iii) An Occupation Permit No. NT 46/2012 vide Memorial No. 12073102550015 dated 22 June 2012;
  - (iv) A Sub-Deed of Mutual Covenant vide Memorial No. 12102502510681 dated 11 October 2012;
  - (v) A Sub-Sub Deed of Mutual Covenant vide Memorial No. 12111202590158 dated 22 October 2012; and
  - (vi) A Mortgage in favour of Nanyang Commercial Bank, Limited vide Memorial No. 16071900570091 dated 20 June 2016.
4. Pursuant to a tenancy agreement dated 22 August 2016 entered into between Lik Shing Construction Company Limited (the “**Lessor**”) and Kronico Limited (the “**Lessee**”), the property was leased for a term of two years commencing on 1 September 2016 and expiring on 31 August 2018 at a monthly rental of HKD20,200 inclusive of Government rent, rates, management fee but exclusive of utility charges with a rent free period from 1 September 2016 to 14 September 2016 for industrial purpose.
  5. The property lies within an area zoned “Other Specified Uses (Business (1))” under the draft Tsuen Wan OZP No. S/TW/33 exhibited on 28 April 2017.
  6. As confirmed by the Company, the property is not subject to any options or rights of pre-emption and any proposed transaction between any other members of the Group.
  7. The inspection was performed by Mr. Charles Choi (BSc (Hons) Estate Management) on 31 March 2017. We have assumed that the property was in a similar condition as at the date of valuation. Should it be found that the condition of the property at the valuation date varied greatly to that at the time of inspection, we reserve the right to amend our valuation.

Set out below is a summary of certain provisions of the Memorandum of Association and the 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 13 March 2017 under the Cayman Companies Law. The Company's constitutional documents consist of the Memorandum of Association and the Articles of Association.

## 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 conditionally adopted on 21 September 2017 with effect from the Listing Date. A summary of certain provisions of the Articles is set out below.

### (a) Shares

#### (i) *Classes of shares*

The share capital of 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 shareholder being a corporation, by its duly authorized representative) or representing by

proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

*(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 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 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. 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.

*(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) 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.

*(v) Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, 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.

*(vi) Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and 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 shareholders 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 shareholders 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 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.

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 13 March 2017 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 (2011 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 appreciation 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 section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking for the Company is for a period of 20 years from 9 May 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to 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 "2. Documents available for inspection" in Appendix VI. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT THE COMPANY****1. Incorporation**

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 13 March 2017. The Company has established a principal place of business in Hong Kong at Room 3404A, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 12 April 2017. In connection with such registration, Mr. Li of Flat A, 48/F, Tower 1, City Point, 48 Wing Shun Street, Tsuen Wan, New Territories, Hong Kong has been appointed as an authorised representative of the Company for the acceptance of service of process and notices on behalf of the Company in Hong Kong.

As the Company is incorporated in the Cayman Islands, it is subject to the Companies Law and its constitution documents comprise the Memorandum of Association and the Articles of Association. A summary of various parts of the constitution documents and relevant aspects of the Cayman Islands company law is set out in Appendix IV to this prospectus.

**2. Changes in authorised and issued share capital of the Company**

- (a) The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 13 March 2017 with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each, of which one Share was allotted and issued as fully paid to an initial subscriber at par, which was transferred to Colourfield Global on the same date.
- (b) On 31 March 2017, pursuant to the Reorganisation Agreement, the Company acquired all the issued shares of Infinite Merit from Mr. Li. In consideration thereof, at the direction of Mr. Li, the Company allotted and issued 999 Shares, credited as fully paid, to Colourfield Global. The said transfer had been properly and legally completed and settled. After such transfer, Infinite Merit became a wholly-owned subsidiary of the Company.
- (c) Pursuant to the written resolutions of the sole Shareholder passed on 21 September 2017, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of par value HK\$0.01 each, by the creation of a further 1,962,000,000 Shares.
- (d) Immediately following the completion of the Share Offer and the Capitalisation Issue (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Adjustment Options and any options that may be granted under the Share Option Scheme), the authorised share capital of the Company will be HK\$20,000,000 divided into 2,000,000,000 Shares, of which 900,000,000 Shares will be allotted and issued, fully paid or credited as fully paid and 1,100,000,000 Shares will remain unissued. Other than the Shares which may be issued pursuant to the exercise of the options which may fall to be granted under the Share Option Scheme and the exercise of the Adjustment Options and, or the exercise of the general mandate referred to in “A. Further information about the Company — 3. Written resolutions of the sole Shareholder” in this Appendix, our Directors have no

present intention to issue any part of the authorised but unissued capital of the Company, and without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.

- (e) Save as disclosed above, there has been no alteration in the share capital of the Company since its incorporation.

### 3. Written resolutions of the sole Shareholder

Pursuant to the written resolutions of the sole Shareholder passed on 21 September 2017, amongst other things:

- (a) the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 Shares of par value HK\$0.01 each to HK\$20,000,000 divided into 2,000,000,000 Shares of par value HK\$0.01 each by the creation of an additional 1,962,000,000 Shares of par value HK\$0.01 each, which shall, when issued and paid, rank pari passu in all respects with the Shares in issue at the date of passing of those resolutions (except for entitlement to the Capitalization Issue);
- (b) conditional on the conditions as set out in the section headed “Structure and conditions of the Share Offer” in this prospectus (“**Conditions**”):
  - (i) the Share Offer and the Adjustment Options were approved and our Directors or any committee of the Board were authorised to (aa) allot and issue the Offer Shares pursuant to the Share Offer and issued pursuant to the exercise of the Adjustment Options to rank pari passu with the then existing Shares in all respects; (bb) implement the Share Offer and the listing of Shares on the Stock Exchange; and (cc) do all things and execute all documents in connection with or incidental to the Share Offer and the Listing with such amendments or modifications (if any) as our Directors may consider necessary or appropriate;
  - (ii) conditional on the share premium account of the Company having sufficient balance, or otherwise being credited as a result of the allotment and issued pursuant to the exercise of the Adjustment Options and issue of the Offer Shares pursuant to the Share Offer, our Directors were authorised to capitalise an amount of up to HK\$6,749,990 standing to the credit of the share premium account of the Company and to apply such amount in paying up in full at par an aggregate of up to 674,999,000 Shares for allotment and issue, credited as fully paid at par and rank pari passu in all respects with each other and the existing issued Shares (except entitlement to the Capitalisation Issue), to the holder(s) of Shares on the register of members or the principal share register of the Company at the close of business on 21 September 2017, being Colourfield Global, and our Directors were authorised to give effect to such capitalisation and distribution;
  - (iii) the rules of the Share Option Scheme, the principal terms of which are set out in “D. Share Option Scheme” in this Appendix, were approved and adopted and our Directors or any committee of the Board were authorised, subject to the terms and conditions of the Share Option Scheme, to implement the Share Option Scheme, to grant options to subscribe for Shares thereunder and to allot, issue and deal with the Shares pursuant to

the exercise of options that may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable expedient to implement the Share Option Scheme;

- (iv) a general unconditional mandate was given to our Directors to exercise all the powers of the Company to allot, issue and deal with, otherwise than by way of rights issues or an issue of Shares upon the exercise of any subscription rights attached to any warrants of the Company or the exercise of the Adjustment Options or pursuant to the exercise of any options which may be granted under the Share Option Scheme or under any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of the subsidiaries of shares or rights to acquire shares or any scrip dividend schemes or similar arrangements providing for the allotment and issue of shares of the Company in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association or a specific authority granted by the Shareholders in general meeting, such number of Shares not exceeding 20% of the aggregate number of issued shares of the Company immediately following completion of the Capitalisation Issue and the Share Offer (taking no account of any Shares which may be issued upon the exercise of the Adjustment Options and any options which may be granted under the Share Option Scheme); and (2) the aggregate number of Shares repurchased under the Repurchase Mandate as defined in paragraph (v) below. Such mandate shall remain in effect until whichever is the earliest of:
- (1) the conclusion of the next annual general meeting of the Company;
  - (2) the expiration of the period within which the next annual general meeting the Company is required to be held by the Articles of Association or any applicable laws of the Cayman Islands; or
  - (3) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;
- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to our Directors to exercise all powers of the Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of the Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10 % of the aggregate number of issued shares of the Company immediately following the completion of the Capitalisation Issue and the Share Offer (taking no account of any Shares which may be issued upon the exercise of the Adjustment Options and any options which may be granted under the Share Option Scheme), such mandate shall remain in effect until whichever is the earliest of:
- (1) the conclusion of the next annual general meeting of the Company;
  - (2) the expiration of the period within which the next annual general meeting of the Company is required to be held by the Articles of Association or any applicable laws of the Cayman Islands;

- (3) the passing of an ordinary resolution of the Shareholders in general meeting revoking, varying or renewing such mandate;
- (vi) the general unconditional mandate mentioned in paragraph (iv) above was extended by the addition to the number of Shares which may be allotted or agreed conditionally or unconditionally to be allotted, issued or dealt with by the Directors pursuant to such general mandate of an amount representing the aggregate number of Shares repurchased by the Company pursuant to the Repurchase Mandate referred to in paragraph (v) above provided that such extended amount shall not exceed 10% of the aggregate number of issued shares of the Company immediately following the completion of the Share Offer and the Capitalisation Issue excluding any Shares which may be issued upon the exercise of the Adjustment Options and any Shares which may be issued upon exercise of any options that may be granted under the Share Option Scheme; and
- (vii) the Company approved and adopted the Memorandum of Association and Articles of Association, conditional upon fulfillment of the Conditions and with effect from the Listing Date.

#### **4. Reorganisation**

The companies comprising our Group underwent a Reorganisation in preparation for the Listing, details of which are set out in the section headed “History, Reorganisation and corporate structure — Reorganisation” in this prospectus. Following the Reorganisation, the Company became the holding company of our Group.

Diagrams showing the Group’s structure after the Reorganisation and immediately upon completion of the Capitalisation Issue and the Share Offer (assuming that no Share has been issued pursuant to the exercise of any option which may be granted under the Share Option Scheme) are set out in the section headed “History, Reorganisation and corporate structure — Reorganisation” in this prospectus.

#### **5. Changes in share capital of subsidiaries**

The Company’s subsidiaries are referred to in the Accountants’ Report, the text of which is set out in Appendix I to this prospectus.

Save as mentioned in the section headed “History, Reorganisation and corporate structure — Establishment and development of the subsidiaries of the Company” in this prospectus, there was no change in the share capital of the subsidiaries of the Company during the two years preceding the date of this prospectus.

Save for the subsidiaries mentioned in Appendix I to this prospectus, the Company has no other subsidiaries.

#### **6. Repurchase by the Company of its own securities**

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by the Company of its own securities.

**(a) Provisions of the Listing Rules**

The Listing Rules permit companies with a primary listing on the Stock Exchange 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 repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

*Note:* Pursuant to the written resolutions passed by the sole Shareholder on 21 September 2017, the Repurchase Mandate was given to our Directors authorising our Directors to exercise all powers of the Company to purchase the Shares as described above in the sub-section headed "A. Further information about the Company — 3. Written resolutions of the sole Shareholder" in this Appendix.

*(ii) Source of funds*

Any repurchases must be financed out of funds legally available for such purpose in accordance with the Articles of Association, any applicable laws of the Cayman Islands and the Listing Rules. A listed company is prohibited from repurchasing its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Under the Cayman Islands law, any repurchases by the Company may be made out of profits of the Company, out of the Share premium of the 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 of Association 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 the Company or the share premium accounts of the Company, before or at the time the Shares are repurchased or, if authorised by the Articles of Association and subject to the Companies Law, out of capital.

*(iii) Core connected persons*

The Listing Rules prohibit the Company from knowingly repurchasing the Shares on the Stock Exchange from a "core connected person", which includes a director, chief executive or substantial shareholder of the Company or any of the subsidiaries or a close associate (as defined in the Listing Rules) of any of them and a core connected person shall not knowingly sell Shares to the Company.

**(b) Exercise of the Repurchase Mandate**

Exercise in full of the Repurchase Mandate, on the basis of 900,000,000 Shares in issue immediately after Listing (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Adjustment Options and any options which may be granted under

the Share Option Scheme), could accordingly result in up to 90,000,000 Shares being repurchased by the Company 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 the Company and the Shareholders for our Directors to have a general authority from the Shareholders to enable the Company to repurchase Shares in the market. Repurchases of Shares will only be made when our Directors believe that such a repurchase will benefit the Company and Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value and/or earnings per Share.

*(d) Funding of repurchases*

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, our Directors consider that, if the Repurchase Mandate was to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Group.

*(e) General*

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to the Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Memorandum and Articles and the applicable laws of the Cayman Islands.

No core connected person of the Company has notified the Company that he or she has a present intention to sell Shares to the Company, or has undertaken not to do so, in the event that the Repurchase Mandate is exercised.

If as a result of a repurchase of Shares, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. As a result, a Shareholder, or a group of Shareholders acting in concert, depending on the level of increase in the Shareholder's interest, could obtain or consolidate control of the Company and become(s) 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 consequence which would arise under the Takeovers Code due to any repurchase made pursuant to the Repurchase Mandate immediately after the Listing.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

## B. FURTHER INFORMATION ABOUT THE BUSINESS OF OUR GROUP

### 1. Summary of material contracts

The following contracts (not being contracts entered into the ordinary course of business of our Group) have been entered into by members of our Group within the two years immediately preceding the date of this prospectus and are or may be material:

- (a) the Reorganisation Agreement;
- (b) the Deed of Indemnity;
- (c) the Deed of Non-competition; and
- (d) the Public Offer Underwriting Agreement.

### 2. Intellectual property rights of our Group

#### (a) Trademark

As at the Latest Practicable Date, our Group had not applied for registration of or registered any trademark.

#### (b) Domain name

As at the Latest Practicable Date, our Group had registered the following domain name:

Domain name	Registrant	Date of registration	Expiry date
likshingeng.com	Lik Shing Engineering	26 August 2014	26 August 2021
wingchiholdings.com	The Company	9 March 2017	9 March 2022

Information contained in the above website does not form part of this prospectus.

Save as disclosed herein, there are no other trade or service marks, patents, copyrights, other intellectual or industrial property rights which are or may be material to the business of our Group.

## C. FURTHER INFORMATION ABOUT DIRECTORS, MANAGEMENT AND STAFF

### 1. Directors

#### (a) Disclosure of interests of Directors

So far as our Directors are aware, immediately following completion of the Capitalisation Issue and the Share Offer (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Adjustment Options and any options which may be granted under the Share Option Scheme), the interests and short positions of our Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have taken under such provisions), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules, will be as follows:

#### (i) Long position in the Shares

Name of Director	Capacity	Number and class of securities	Approximate percentage of shareholding
Mr. Li ( <i>Note</i> )	Interest in a controlled corporation	675,000,000 ordinary Shares	75%

*Note:* Mr. Li held 100% of the issued shares of Colourfield Global, which in turn held 75% of the issued Shares.

#### (ii) Long position in the ordinary shares of associated corporations

Name of Director	Name of associated corporation	Capacity	Number and class of securities	Approximate percentage of shareholding
Mr. Li	Colourfield Global	Beneficial owner	5 ordinary shares	100%

#### (b) Particulars of service contracts

Each of Mr. Li, Mr. Li KY, Mr. Li Wai Fong and Mr. Liauw Hung, the executive Directors, has entered into a service contract with the Company for an initial fixed term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing

served by either party. Commencing from the Listing Date, each of the executive Directors is entitled to an annual salary set out below, such salary to be reviewed annually by the Board and the remuneration committee of the Company.

In addition, each of the executive Directors may be entitled to, if so recommended by the Remuneration Committee and approved by the Board at its absolute discretion, a discretionary bonus, the amount of which is determined with reference to the operating results of our Group and the performance of the executive Director, provided that the relevant executive Director shall abstain from voting and not be counted in the quorum in respect of any resolution of the Board approving the amount of annual salary, discretionary bonus and other benefits payable to him. The current basic annual salary of the executive Directors are as follows:

<b>Name</b>	<b>Amount</b> (HK\$)
Mr. Li	707,000
Mr. Li KY	356,000
Mr. Li Wai Fong	270,000
Mr. Liauw Hung	1,000,000

Each of Mr. Wong Chik Kong, Mr. Chan Chung Kik Lewis and Mr. Lee Kwok Lun, being the independent non-executive Directors, has entered into a letter of appointment with the Company for an initial term of service commencing from the Listing Date and shall continue thereafter subject to a maximum of three years unless terminated by either party giving not less than one month's notice in writing. Commencing from the Listing Date, the annual remuneration payable to the non-executive Director and the independent non-executive Directors under each of the letters of appointment is as follows:

<b>Name</b>	<b>Amount</b> (HK\$)
Mr. Wong Chik Kong	150,000
Mr. Chan Chung Kik Lewis	150,000
Mr. Lee Kwok Lun	150,000

Save as disclosed above, none of our Directors has or is proposed to enter into a service contract/letter of appointment with the Company or any of the subsidiaries (other than contracts expiring or determinable by our Group within one year without the payment of compensation (other than statutory compensation)).

**(c) Directors' remuneration**

Our Company's policies concerning remuneration of executive Directors are:

- (i) the amount of remuneration payable to the executive Directors will be determined on a case by case basis depending on the experience, responsibility, workload and the time devoted to our Group by the relevant Director;

- (ii) non-cash benefits may be provided to our Directors under their remuneration package; and
- (iii) the executive Directors may be granted, at the discretion of the Board, share options of the Company, as part of the remuneration package.

An aggregate sum of approximately HK\$0.6 million, HK\$0.6 million, HK\$0.7 million was paid to our Directors as remuneration and benefits in kind by our Group for each of the three years ended 31 March 2017, respectively.

An aggregate sum of approximately HK\$1.4 million will be paid to our Directors as remuneration and benefits in kind by our Group for the year ending 31 March 2018 under the arrangements in force at the date of this prospectus excluding management bonus.

## 2. Substantial shareholders

So far as our Directors are aware, immediately following the completion of the Capitalisation Issue and the Share Offer and taking no account of any Shares which may be taken up under the Share Offer or any Shares which may be allotted and issued upon the exercise of the Adjustment Options and any option which may be granted under the Share Option Scheme, the following persons/entities (not being the Directors or chief executive of the Company) will have an interest or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, to be interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of our Group:

### *Long position in Shares, underlying Shares and debentures*

Name	Capacity	Number and class of securities	Approximate percentage of shareholding
Colourfield Global	Beneficial owner	675,000,000 ordinary Shares	75%
Mrs. Li ( <i>Note</i> )	Interest of spouse	675,000,000 ordinary Shares	75%

*Note:* Mrs. Li is the spouse of Mr. Li and is deemed, or taken to be, interested in the Shares which Mr. Li is interested in for the purpose of the SFO.

## 3. Related party transactions

Our Group entered into the related party transactions within the two years immediately preceding the date of this prospectus as mentioned in note 31 of the Accountants' Report set out in Appendix I to this prospectus.

#### 4. Disclaimers

Save as disclosed in this Appendix and the section headed “Substantial Shareholders” in this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Share Offer or issued pursuant to the exercise of the Adjustment Options or any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme, our Directors are not aware of any person who immediately following completion of the Capitalisation Issue and the Share Offer will have an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who is, either directly or indirectly, interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at the general meetings of the Company or any other members of our Group;
- (b) none of our Directors and chief executive of the Company has for the purposes of Divisions 7 and 8 of Part XV of the SFO or the Listing Rules, nor is any of them taken to or deemed to have under Divisions 7 and 8 of Part XV of the SFO, an interest or short position in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of the SFO) or any interests which will have to be entered in the register to be kept by the Company pursuant to section 352 of the SFO or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules;
- (c) none of our Directors nor the experts named in “E. Other information — 6. Qualifications of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of our Directors 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;
- (e) none of the experts named in “E. Other information — 6. Qualifications of experts” in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (f) none of our Directors, their close associates or any shareholder of the Company (which to the knowledge of our Directors owns more than 5% of the Company’s issued share capital) has any interest in our Group’s five largest suppliers and five largest customers.

**D. SHARE OPTION SCHEME****1. Share Option Scheme**

The following is a summary of the principal terms of the Share Option Scheme conditionally approved by the sole Shareholder on 21 September 2017.

For the purpose of this section, unless the context otherwise requires:

“Board”	means the board of Directors from time to time or a duly authorised committee thereof;
“Eligible Person”	means, amongst others, any full-time or part-time employee of the Company or any member of our Group, including any executive, non-executive directors and independent non-executive directors, advisers, consultants of the Company or any of the subsidiaries;
“Option”	means an option to subscribe for Shares granted pursuant to the Share Option Scheme;
“Option Period”	means in respect of any particular Option, the period to be determined and notified by the Board to each Participant but which shall not exceed ten years from the date of grant of such option;
“Other Schemes”	means any other share option schemes adopted by our Group from time to time pursuant to which options to subscribe for Shares may be granted;
“Participant”	means any Eligible Person who accepts or is deemed to have accepted the offer 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 Participant;
“Shareholders”	means shareholders of the Company from time to time;
“Subsidiary”	means a company which is for the time being and from time to time a subsidiary (within the meaning of the Listing Rules) of the Company, whether incorporated in Hong Kong or elsewhere; and
“Trading Day”	means a day on which trading of Shares take place on the Stock Exchange.

*(a) Purpose of the Share Option Scheme*

The Share Option Scheme enables the Company to grant Options to Eligible Persons as incentives or rewards for their contributions to our Group.

*(b) Who may join*

The Board may, at its discretion, invite any Eligible Persons to take up Options at a price calculated in accordance with sub-paragraph (d) below. Upon acceptance of the Option, the Eligible Person shall pay HK\$1.00 to the Company by way of consideration for the grant. The Option will be offered for acceptance for a period of not less than five Trading Days from the date on which the Option is granted.

*(c) Grant of Option*

Any grant of Options must not be made after inside information has come to the knowledge of the Company until such inside information has been announced pursuant to the relevant requirements of the Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the Company's results for any year, half-year, quarter-year period or any other interim period (whether or not required under the Listing Rules); and (b) the deadline for the Company to publish an announcement of its results for any year, half-year, quarter-year period or any interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, Option may not be granted. The period during which no Option may be granted will cover any period of delay in the publication of results announcement. Our Directors may not grant any Option to an Eligible Person during the periods or times in which our Directors are prohibited from dealing in shares pursuant to the Listing Rules or any corresponding code or securities dealing restrictions adopted by the Company.

The total number of Shares issued and to be issued upon exercise of the Options granted to a Participant under the Share Option Scheme and Other Schemes (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue from time to time, and provided that if approved by Shareholders in general meeting with such Participant and his close associates (or his associates if the participant is a connected person) abstaining from voting, the Company may make a further grant of Options to such Participant (the "**Further Grant**") notwithstanding that the Further Grant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted under the Share Option Scheme and Other Schemes to such Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of the Further Grant representing in aggregate over 1% of the Shares in issue from time to time. In relation to the Further Grant, the Company must send a circular to the Shareholders, which discloses the identity of the relevant Participant, the number and the terms of the Options to be granted (and Options previously granted to such Participant under the Share Option Scheme and Other Schemes) and the information required under the Listing Rules. The number and terms (including the exercise price) of Options which is the subject of the Further Grant shall be fixed before the relevant Shareholders' meeting and the date of meeting of the Board for proposing the Further Grant should be taken as the date of grant for the purpose of calculating the relevant subscription price.

(d) *Price of Shares*

The subscription price for the Shares subject to Options will be a price determined by the Board and notified to each Participant and shall be the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the Options, which must be a Trading Day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Trading Days immediately preceding the date of grant of the Options; and (iii) the nominal value of a Share.

For the purpose of calculating the subscription price, in the event that on the date of grant, the Company has been listed for less than five Trading Days, the Offer Price shall be used as the closing price for any Trading Day falling within the period before the Listing Date.

(e) *Maximum number of Shares*

- (i) The total number of Shares which may be issued upon the exercise of all Options to be granted under the Share Option Scheme and Other Schemes must not, in aggregate, exceed 10% of the Shares in issue as at the Listing Date (the "**Scheme Mandate Limit**") provided that Options lapsed in accordance with the terms of the Shares Option Scheme or Other Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit. On the basis of 900,000,000 Shares in issue on the Listing Date, the Scheme Mandate Limit will be equivalent to 90,000,000 Shares, representing 10% of the Shares in issue as at the Listing Date.
- (ii) Subject to the approval of Shareholders in general meeting, the Company may renew the Scheme Mandate Limit to the extent that the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and Other Schemes under the Scheme Mandate Limit as renewed must not exceed 10% of the Shares in issue as at the date of such Shareholders' approval provided that Options previously granted under the Share Option Scheme and Other Schemes (including those outstanding, cancelled, exercised or lapsed in accordance with the terms thereof) will not be counted for the purpose of calculating the Scheme Mandate Limit as renewed. In relation to the Shareholders' approval referred to in this paragraph (ii), the Company shall send a circular to the Shareholders containing the information required by the Listing Rules.
- (iii) Subject to the approval of Shareholders in general meeting, the Company may also grant Options beyond the Scheme Mandate Limit provided that Options in excess of the Scheme Mandate Limit are granted only to Eligible Persons specifically identified by the Company before such Shareholders' approval is sought. In relation to the Shareholders' approval referred to in this paragraph (iii), the Company shall send a circular to the Shareholders containing information as required under the Listing Rules in this regard.
- (iv) Notwithstanding the foregoing, the Company may not grant any Options if the 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 Other Schemes exceeds 30% of the Shares in issue from time to time.

- (v) The exercise of any Option shall be subject to the Shareholders in general meeting approving any increase in the authorised share capital of the Company. Subject thereto, the Board shall make available sufficient authorised but unissued share capital of the Company for purpose of allotment of shares upon exercise of Options.

*(f) Time of exercise of Option*

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Board to each Participant provided that the period within which the Option must be exercised shall not be more than 10 years from the date of the grant of Option.

*(g) Rights are personal to grantee*

An Option shall be personal to the Participant and shall not be assignable or transferable and no Participant shall in any way sell, transfer, charge, mortgage, encumber or create any interest whether legal or beneficial in favour of any third party over or in relation to any Option.

*(h) Rights on death*

If a Participant dies before exercising the Options in full, his or her personal representative(s) may exercise the Options up to the Participant's entitlement (to the extent that it has become exercisable on the date of death and not already exercised) within a period of 12 months from the date of death or such longer period as the Board may determine, failing which such Options will lapse.

*(i) Changes in capital structure*

In the event of any alteration in the capital structure of the Company while an Option remains exercisable, and such event arises from a capitalisation of profits or reserves, rights issue, consolidation, reclassification, subdivision or reduction of capital of the Company, such corresponding alterations (if any) shall be made in the number or nominal amount of Shares subject to the Options so far as unexercised, and/or the exercise price, and/or the method of exercise of the Options, and/or the maximum number of Shares subject to the Share Option Scheme.

Any adjustments required under this paragraph must give a Participant the same proportion of the equity capital as that to which that Participant was previously entitled and shall be made on the basis that the aggregate exercise price payable by a Participant on the full exercise of any Option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event, but no such adjustments may be made to the extent that Shares would be issued at less than nominal value and, unless with the prior approval of the Shareholders in general meeting, no such adjustments may be made to the advantage of the Participant. For the avoidance of doubt, the issue of securities as consideration in a transaction may not be regarded as a circumstance requiring adjustment. In respect of any such adjustments, other than any made on a capitalisation issue, an independent financial adviser of the Company or the auditors of the Company must confirm to our Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the

Listing Rules and the supplementary guidance set out in the letter issued by the Stock Exchange dated 5 September 2005 and any further guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

*(j) Rights on take-over*

If a general offer (whether by way of takeover offer as defined in the Takeovers Code or scheme of arrangement or otherwise in like manner) has been made to all the Shareholders (other than the offeror and/or any persons acting in concert with the offeror), to acquire all or part of the issued Shares, and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the Participant shall be entitled to exercise his or her outstanding Option in full or any part thereof within 14 days after the date on which such offer becomes or is declared unconditional. For the purposes of this sub-paragraph, “acting in concert” shall have the meaning ascribed to it under the Takeovers Code as amended from time to time.

*(k) Rights on a compromise or arrangement*

- (i) In the event of a notice is given by the Company to the Shareholders to convene a Shareholders’ meeting for the purpose of considering and approving a resolution to voluntarily wind up the Company, the Company shall forthwith give notice thereof to the Participants and the Participants may, by notice in writing to the Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant Options (such notice to be received by the Company not later than two business days prior to the proposed meeting) exercise the outstanding Option either in full or in part and the Company shall, as soon as possible and in any event no later than the business day immediately prior to the date of the proposed Shareholders’ meeting, allot and issue such number of Shares to the Participants which falls to be issued on such exercise.
- (ii) In the event of a compromise or arrangement between the Company and its members or creditors being proposed in connection with a scheme for the reconstruction or amalgamation of the Company (other than any relocation schemes as contemplated in Rule 7.14(3) of the Listing Rules), the Company shall give notice thereof to all Participants on the same date as it gives notice of the meeting to its members or creditors to consider such a scheme of arrangement, and thereupon the Participants may, by notice in writing to the Company accompanied by the remittance for the total exercise price payable in respect of the exercise of the relevant Options (such notice to be received by the Company not later than two Trading Days prior to the proposed meeting) exercise the outstanding Option either in full or in part and the Company shall, as soon as possible and in any event no later than the Trading Day (excluding any period(s) of closure of the Company’s share registers) immediately prior to the date of the proposed meeting, allot and issue such number of Shares to the Participants which falls to be issued on such exercise credited as fully paid and registered the Participants as holders thereof.

*(l) Lapse of Option*

An Option shall lapse forthwith and not exercisable (to the extent not already exercised) on the earliest of:

- (i) the date of expiry of the Option as may be determined by the Board and under the Share Option Scheme;
- (ii) subject to paragraphs (f) and (p), the expiry of the Option Period of the Option;
- (iii) subject to paragraph (k)(i), the date of commencement of the winding-up of the Company;
- (iv) the date when the proposed compromise or arrangement becomes effective in respect of the situation contemplated in paragraph (k)(ii);
- (v) in the event that the Participant was an employee or director of any member of our Group on the date of grant of Option to him or her, the date on which such member of our Group terminates the Participant's employment or removes the Participant from his or her office on the ground that the Participant has been guilty of misconduct, has committed an act of bankruptcy or has become insolvent or has made any arrangements or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty. A resolution of the Board or the Board of Directors of the relevant member of our Group to the effect that such employment or office has or has not been terminated or removed on one or more grounds specified in this sub-paragraph shall be conclusive;
- (vi) the happening of any of the following events, unless otherwise waived by the Board:
  - (1) any liquidator, provisional liquidator, receiver or any person carrying out any similar function has been appointed anywhere in the world in respect of the whole or any part of the asset or undertaking of the Participant (being a corporation); or
  - (2) the Participant (being a corporation) has ceased or suspended payment of its debts, become unable to pay its debts or otherwise become insolvent; or
  - (3) there is unsatisfied judgment, order or award outstanding against the Participant or the Company has reason to believe that the Participant is unable to pay or has no reasonable prospect of being able to pay his/her/its debts; or
  - (4) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of type mentioned in sub-paragraphs (1), (2) and (3) above; or
  - (5) a bankruptcy order has been made against the Participant or any director of the Participant (being a corporation) in any jurisdiction; or
  - (6) a petition for bankruptcy has been presented against the Participant or any director of the Participant (being a corporation) in any jurisdiction;

(vii) the date the Participant commits any breach of any terms or conditions attached to the grant of the Option, unless otherwise resolved to the contrary by the Board; or

(viii) the date on which the Board resolves that the Participant has failed or otherwise is or has been unable to meet the continuing eligibility criteria.

*(m) Ranking of Shares*

Shares allotted and issued upon the exercise of an Option will be subject to the Articles of Association as amended from time to time and will rank pari passu in all respects with the fully paid or credited as fully paid Shares in issue on the date of such allotment or issue and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment and issue other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the date of allotment or issue. Any Share allotted upon the exercise of the Option shall not carry voting rights until the name of the Grantee has been entered into the register of members of the Company as the holder thereof.

*(n) Cancellation of Options granted*

Any cancellation of Options granted in accordance with the Share Option Scheme but not exercised must be approved by the grantee concerned in writing.

In the event that the Board elects to cancel any Options and issue new ones to the same grantee, the issue of such new Options may only be made with available unissued Options (excluding the cancelled Options) within the Scheme Mandate Limit.

*(o) Period of Share Option Scheme*

The Share Option Scheme will be valid and effective for a period of ten years commencing on the Listing Date, after which period no further Options may be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects and Options granted during the life of the Share Option Scheme may continue to be exercisable in accordance with their terms of issue.

*(p) Alteration to and termination of Share Option Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board, except that the provisions of the Share Option Scheme relating to matters set out in Rule 17.03 of the Listing Rules shall not be altered to the advantage of the Participant or the prospective Participants without the prior approval of the Shareholders in general meeting (with the Eligible Persons, the Participants and their respective close associates abstaining from voting). No such alteration shall operate to affect adversely the terms of issue of any Option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the Participants as would be required by the Shareholders under the Articles of Association (as amended from time to time) for a variation of the rights attached to the Shares.

Any alterations to the terms and conditions of the Share Option Scheme, which are of a material nature, shall first be approved by the Shareholders in general meeting, except where such alterations take effect automatically under the existing terms of the Share Option Scheme.

The Company may, by ordinary resolution in general meeting, at any time terminate the operation of the Share Option Scheme before the end of its life and in such event no further Options will be offered but the provisions of the Share Option Scheme shall remain in all other respects in full force and effect in respect of Options granted prior thereto but not yet exercised at the time of termination, which shall continue to be exercisable in accordance with their terms of grant. Details of the Options granted, including Options exercised or outstanding, under the Share Option Scheme, and (if applicable) Options that become void or non-exercisable as a result of termination must be disclosed in the circular to the Shareholders seeking approval for the first new scheme to be established after such termination.

*(q) Granting of Options to a director, chief executive or substantial shareholder of the Company or any of their respective associates*

Where Options are proposed to be granted to a director, chief executive or substantial shareholder of the Company or any of their respective associates, the proposed grant must be approved by all independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Options).

If a grant of Options to a substantial shareholder of the Company or an independent non-executive Director, or any of their respective associates will result in the total number of the Shares issued and to be issued upon exercise of the Options already granted and to be granted (including Options exercised, cancelled and outstanding) to such person under the Share Option Scheme or Other Schemes in any 12-month period up to and including the date of the grant (i) representing in aggregate over 0.1% (or such other percentage as may from time to time specified by the Stock Exchange) of the Shares in issue from time to time, and (ii) having an aggregate value, based on the closing price of the Shares at the date of the grant, in excess of HK\$5 million, then the proposed grant of Options must be approved by the Shareholders. The grantee, his associates and all core connected persons of the Company must abstain from voting at such general meeting, except that any connected person may vote against the resolution provided that his or her intention to do so has been stated in the circular. The circular must contain the information required under the Listing Rules.

In addition, Shareholders' approval as described above will also be required for any change in terms of the Options granted to an Eligible Person who is a substantial shareholder of the Company, an independent non-executive Director or their respective associates.

The circular must contain the following:

- (i) details of the number and terms of the Options (including the subscription price relating thereto) to be granted to each Eligible Person, which must be fixed before the relevant Shareholders' meeting, and the date of Board meeting for proposing such further grant is to be taken as the date of grant for the purpose of calculating the subscription price;

- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is a proposed grantee of the Options in question) to independent Shareholders, as to voting; and
- (iii) all other information as required by the Listing Rules

For the avoidance of doubt, the requirements for the granting of Options to a Director or chief executive (as defined in the Listing Rules) of the Company set out in this paragraph (q) do not apply where the Eligible Person is only a proposed Director or proposed chief executive of the Company.

*(r) Conditions of Share Option Scheme*

The Share Option Scheme is conditional on (i) the passing of a resolution to adopt the Share Option Scheme by the Shareholders in general meeting; and (ii) the Stock Exchange granting approval for the listing of and permission to deal in the Share which may be issued pursuant to the exercise of Options.

Application has been made to the Listing Committee for the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options that may be granted under Share Option Scheme.

*(s) Present status of the Share Option Scheme*

As at the Latest Practicable Date, no options had been granted or agreed to be granted by the Company under the Share Option Scheme.

The terms of the Share Option Scheme are in compliance with Chapter 17 of the Listing Rules.

## **E. OTHER INFORMATION**

### **1. Tax and other indemnities**

Each of the Controlling Shareholders (collectively, the “**Indemnifiers**”) has entered into the Deed of Indemnity (being the material contract referred to in “B. Further information about the business of our Group — 1. Summary of material contracts — (b) the Deed of Indemnity” in this Appendix) with and in favour of the Company (for itself and as trustee for each of the present subsidiaries) to provide indemnities on a joint and several basis in respect of, amongst other matters:

- (a) any tax (which includes estate duty) liabilities in whatever part of the world which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received, or of any transactions entered into, or the occurrence of any matters or things on or up to the date on

which the Share Offer becomes unconditional (the “**Effective Date**”), save for any taxation the extent that:

- (i) full provision has been made for such taxation in the audited accounts of our Group for the three years ended 31 March 2017 (the “**Accounts**”) as set out in Appendix I to this prospectus and to the extent that such taxation is incurred or accrued since 31 March 2017 which arises in the ordinary course of business of our Group as described in the section headed “Business” in the Prospectus;
  - (ii) falling on any member of our Group on or after Listing Date, unless the liability for such taxation would not have arisen but for any act or omission of, or delay by, or transactions voluntarily effected by any member of our Group (whether alone or in conjunction with some other act, omission, delay or transaction, whenever occurring) other than in the ordinary course of its business or in the ordinary course of acquiring or disposing of capital assets or pursuant to a legally binding commitment created before Listing Date;
  - (iii) such taxation claim arises or is incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Inland Revenue Department of Hong Kong or any other relevant authority (whether in Hong Kong, or the Cayman Islands, or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such taxation claim arises or is increased by an increase in rates of taxation after the Effective Date with retrospective effect; and
  - (iv) any provisions or reserve made for taxation in the Accounts which is finally established to be an over-provision or an excessive reserve in which case the Indemnifiers’ liability (if any) in respect of 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 pursuant to the Deed of Indemnity to reduce the Indemnifiers’ liability in respect of taxation shall not be available in respect of any such liability arising thereafter; and
- (b) all claims, actions, losses, payment, damages, costs, expenses, penalties and of whatever nature suffered or incurred by any subsidiary of our Group directly or indirectly as a result of or in connection with the non-compliance or alleged non-compliance by any subsidiary of our Group with any applicable laws, rules and regulations in Hong Kong or any jurisdictions in the course of its business occurred on or before the Listing Date and/or all actions, claims, demands, proceedings, costs and expenses, damages, losses and liabilities whatsoever which may be made, suffered or incurred by any the subsidiary of our Group in respect of or arising directly or indirectly from or on the basis of or in connection with any litigation, arbitration, claim and/or legal proceedings, whether of criminal, administrative, contractual, tortuous or otherwise nature instituted or threatened against any subsidiary of Group and/or any act, non-performance, omission or otherwise of any subsidiary of Group accrued or arising on or before the Listing Date.

Our Directors have been advised that no material liability for estate duty is likely to fall on the Company or any of its subsidiaries in the Cayman Islands or the BVI or Hong Kong, being jurisdictions in which one or more of the companies comprising our Group were incorporated.

## 2. Litigation

Save as disclosed in the section headed “Business — Litigation and potential claims” in this prospectus, neither the Company nor any of the subsidiaries is engaged in any litigation or claims of material importance and no litigation or claims of material importance is known to our Directors to be pending or threatened by or against the Company or any of the subsidiaries, that would have a material adverse effect on the Group’s results of operations or financial condition.

## 3. Sole Sponsor

The Sole Sponsor has made an application for and on behalf of the Company 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, including the Offer Shares and any Shares which may fall to be allotted and issued pursuant to the exercise of the Adjustment Options and issued pursuant to the Capitalisation Issue and the exercise of any options which may be granted under the Share Option Scheme.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

## 4. Preliminary expenses

The preliminary expenses relating to the incorporation of the Company are approximately HK\$51,000 and are payable by the Company.

## 5. Promoter

The Company has no promoter.

## 6. Qualifications of experts

The qualifications of the experts who have given reports, letter or opinions (as the case may be) in this prospectus are as follows:

<b>Name</b>	<b>Qualification</b>
Appleby	Cayman Islands Legal Advisers to the Company
Ascent Partners Valuation Service Limited	Independent property valuer
Beijing Lei Jie Zhanda Law Firm	PRC Legal Advisers
CT Partners Consultants Limited	Internal Control Consultant
Dakin Capital Limited	A licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity as defined under the SFO

<b>Name</b>	<b>Qualification</b>
Ipsos Limited	Independent market research firm
Ms. Ng Wing Shan, Queenie	Barrister-at-law in Hong Kong
SHINEWING (HK) CPA Limited	Certified Public Accountants
SHINEWING Tax and Business Advisory Limited	Tax adviser

#### **7. Consents of experts**

Each of the experts referred to above has given and has not withdrawn its written consent to the issue of this prospectus with the inclusion of its reports, letters, opinions or summaries, dated the date of this prospectus, thereof (as the case may be) and the references to its name included in this prospectus in the form and context in which it respectively appears.

#### **8. Sole Sponsor's fees**

The Sole Sponsor will be paid by the Company a total fee of HK\$5.0 million to act as sponsor to the Company in connection with the Listing.

#### **9. 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.

#### **10. Miscellaneous**

- (a) Save as disclosed in this Appendix and the sections headed "History, Reorganisation and corporate structure" and "Underwriting" in this prospectus, within the two years preceding the date of this prospectus:
- (i) no share or loan capital of the Company or any of the subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of the Company or any of the subsidiaries; and
  - (iii) no commission has been paid or payable (excluding commission payable to sub-underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in the Company.

- (b) No share or loan capital of the Company or any of the subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (c) No founder, management or deferred shares of the Company or any of the subsidiaries has been issued or agreed to be issued.
- (d) Our Directors confirm that, up to the date of this prospectus, save as disclosed in “Summary — No material adverse change” in this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 31 March 2017 (being the date to which the latest audited combined financial statements of our Group were made up), and there had been no event since 31 March 2017 which would materially affect the information as shown in the Accountants’ Report in Appendix I to this prospectus.
- (e) There has not been any interruption in the business of our Group which has had a material adverse effect on the financial position of our Group in the 24 months preceding the date of this prospectus.
- (f) None of Appleby, Ascent Partners Valuation Service Limited, Beijing Lei Jie Zhanda Law Firm, CT Partners Consultants Limited, Dakin Capital Limited, Ipsos Limited, Ms. Ng Wing Shan, Queenie, SHINEWING (HK) CPA Limited and SHINEWING Tax and Business Advisory Limited:
  - (i) is interested beneficially or non-beneficially in any shares in any member of our Group; or
  - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any shares in any member of our Group.
- (g) No company within our Group is presently listed on any stock exchange or traded on any trading system and no part of the shares or loan capital of the Company is listed, traded or dealt in on any other stock exchange. At present, the Company is not seeking or proposing to seek listing of, or permission to deal in, any part of its shares or loan capital on any other stock exchange.
- (h) The Company has no outstanding convertible debt securities.
- (i) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.
- (j) There are no arrangements under which future dividends are waived or agreed to be waived.

## 11. Bilingual prospectus

The English language and the 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).

**12. Taxation of holders of Shares***(a) Hong Kong*

Dealings in Shares registered on the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

*(b) Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

*(c) Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of the Company, our Directors or parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

**1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the Application Forms, copies of the written consents referred to in the section headed “E. Other information — 7. Consents of experts” in Appendix V to this prospectus and copies of the material contracts referred to in the section headed “B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix V to this prospectus.

**2. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of TC & Co. of Units 2201–2203, 22nd Floor, Tai Tung Building, 8 Fleming Road, Wan Chai, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

1. the Memorandum of Association and the Articles of Association;
2. the Accountants’ Report prepared by SHINEWING (HK) CPA Limited, the text of which is set out in Appendix I to this prospectus;
3. the underlying audited financial statement of our Group incorporated in the Accountants’ Report;
4. the report prepared by SHINEWING (HK) CPA Limited on the unaudited pro forma financial information of our Group, the text of which are set out in Appendix II to this prospectus;
5. the letter and valuation certificate relating to the property interests of our Group prepared by Ascent Partners Valuation Service Limited, the texts of which are set out in Appendix III to this prospectus;
6. the counsel opinion prepared by Ng Wing Shan Queenie;
7. the legal opinion prepared by Beijing Lei Jie Zhanda Law Firm;
8. the letter of advice prepared by Appleby summarising certain aspects of the Cayman Islands company law referred to in Appendix IV to this prospectus;
9. the Ipsos Report referred in the section headed “Industry Overview” in this prospectus;
10. the Companies Law;
11. copies of material contracts referred to in the section headed “B. Further information about the business of our Group — 1. Summary of material contracts” in Appendix V to this prospectus;
12. the service agreements and letters of appointment referred to in the section headed “C. Further information about directors, management and staff — 1. Directors” in Appendix V to this prospectus;

13. the written consents referred to the section headed “E. Other information — 7. Consents of experts” in Appendix V to this prospectus;
14. the tax opinion issued by SHINEWING Tax and Business Advisory Limited, our Group’s tax adviser;
15. the Share Option Scheme; and
16. the internal control report prepared by CT Partners Consultants Limited, our Group’s internal control consultant.

**Wing Chi Holdings Limited**  
**榮智控股有限公司**